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OZNER 浩澤

OZNER WATER INTERNATIONAL HOLDING LIMITED

浩澤淨水國際控股有限公司

(IN LIQUIDATION)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2014)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Ozner Water International Holding Limited (In Liquidation) (the “Company”) announces the annual consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

| | <i>Notes</i> | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| REVENUE | 4 | 318,523 | 702,367 |
| Cost of sales | | <u>(304,623)</u> | <u>(1,304,342)</u> |
| Gross profit (loss) | | 13,900 | (601,975) |
| Other income and gains | 4 | – | 17,851 |
| Selling and distribution expenses | | (56,746) | (168,964) |
| Administrative expenses | | (182,050) | (201,610) |
| Other expenses | | (36,819) | (1,018,459) |
| Finance costs | | (108,481) | (177,577) |
| Share of losses of associates | | <u>–</u> | <u>(2,757)</u> |
| LOSS BEFORE TAX | | (370,196) | (2,153,491) |
| Income tax credit | | <u>–</u> | <u>244,977</u> |
| LOSS FOR THE YEAR | | <u>(370,196)</u> | <u>(1,908,514)</u> |
| Attributable to: | | | |
| Owners of the Company | | (352,049) | (1,883,416) |
| Non-controlling interests | | <u>(18,147)</u> | <u>(25,098)</u> |
| | | <u>(370,196)</u> | <u>(1,908,514)</u> |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic (RMB cents) | 5 | <u>(16.73)</u> | <u>(89.49)</u> |
| Diluted (RMB cents) | | <u>(16.73)</u> | <u>(89.49)</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

| | <i>Notes</i> | 2021 RMB'000 | 2020 RMB'000 |
|---|--------------|-------------------------------|------------------------|
| LOSS FOR THE YEAR | | <u>(370,196)</u> | <u>(1,908,514)</u> |
| OTHER COMPREHENSIVE LOSS | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | <u>(35,920)</u> | <u>(114,720)</u> |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> | | | |
| Changes in fair value of equity investments designated at fair value through other comprehensive loss | | <u>–</u> | <u>(27,130)</u> |
| OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX | | <u>(35,920)</u> | <u>(141,850)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | <u>(406,116)</u> | <u>(2,050,364)</u> |
| Attributable to: | | | |
| Owners of the Company | | <u>(387,969)</u> | (2,025,266) |
| Non-controlling interests | | <u>(18,147)</u> | <u>(25,098)</u> |
| | | <u>(406,116)</u> | <u>(2,050,364)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

| | <i>Notes</i> | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| NON-CURRENT ASSETS | | | |
| Revenue-generating assets | | 622,956 | 655,832 |
| Property, plant and equipment | | 677,554 | 902,877 |
| Other intangible assets | | 127,729 | 127,729 |
| Investments in associates | | 242,383 | 242,383 |
| Equity investments designated at fair value through other comprehensive income | | 146,027 | 146,027 |
| Prepayments, other receivables and other assets | | 321,611 | 321,611 |
| Deferred tax assets | | 530,698 | 530,698 |
| Right-of-use assets | | 130,815 | 130,815 |
| | | <hr/> | <hr/> |
| TOTAL NON-CURRENT ASSETS | | 2,799,773 | 3,057,972 |
| CURRENT ASSETS | | | |
| Inventories | | 175,595 | 195,105 |
| Trade and bills receivables | 6 | 804,261 | 773,173 |
| Prepayments, other receivables and other assets | | 763,291 | 860,926 |
| Amount due from related parties | | 112,126 | 112,126 |
| Cash and cash equivalents | | 8 | 168 |
| | | <hr/> | <hr/> |
| TOTAL CURRENT ASSETS | | 1,855,281 | 1,941,498 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 7 | 249,813 | 305,304 |
| Other payables, advances from customers and accruals | | 1,359,631 | 1,254,278 |
| Amount due to related parties | | 46,097 | 54,942 |
| Deferred revenue | | 17,214 | 17,214 |
| Interest-bearing bank and other borrowings | | 2,238,637 | 2,244,291 |
| Income tax payable | | 271,721 | 271,721 |
| Liability component of convertible bonds | | 420,228 | 393,891 |
| Lease liabilities | | 18,305 | 18,305 |
| | | <hr/> | <hr/> |
| TOTAL CURRENT LIABILITIES | | 4,621,646 | 4,559,946 |
| NET CURRENT LIABILITIES | | (2,766,365) | (2,618,448) |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 33,408 | 439,524 |
| | | <hr/> | <hr/> |

| | 2021 | 2020 |
|---|-----------------------|----------------|
| <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing bank and other borrowings | 300,000 | 300,000 |
| Deferred tax liabilities | 31,648 | 31,648 |
| | <u>331,648</u> | <u>331,648</u> |
| TOTAL NON-CURRENT LIABILITIES | 331,648 | 331,648 |
| | <u>331,648</u> | <u>331,648</u> |
| NET (LIABILITIES) ASSETS | (298,240) | 107,876 |
| | <u>(298,240)</u> | <u>107,876</u> |
| EQUITY | | |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | |
| Share capital | 17,255 | 17,255 |
| Share premium | 1,546,345 | 1,546,345 |
| Treasury shares | (36,396) | (36,396) |
| Equity component of convertible bonds | – | 26,674 |
| Reserves | (1,872,164) | (1,510,869) |
| | <u>(344,960)</u> | <u>43,009</u> |
| | (344,960) | 43,009 |
| Non-controlling interests | 46,720 | 64,867 |
| | <u>46,720</u> | <u>64,867</u> |
| TOTAL (DEFICIT) EQUITY | (298,240) | 107,876 |
| | <u>(298,240)</u> | <u>107,876</u> |

Notes:

1. CORPORATE AND GROUP INFORMATION

Ozner Water International Holding Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 15 November 2013. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is situated at the offices of Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. The Company is an investment holding company. During the year ended 31 December 2021, the Company’s subsidiaries were involved in the following principal activities in the People’s Republic of China (the “PRC”):

- Water purification services
- Air sanitisation services
- Supply chain services
- Others services

Winding up petition against the Company and appointment of joint and several liquidators

On 14 December 2020, the Company received a petition filed by DBS Bank LTD., Hong Kong Branch (“DBS”) in the High Court for the winding up of the Company as the Company failed to repay DBS a sum of US\$25,185,777.08 as at 6 September 2020 together with further interest accruing on the sum of US\$25,000,000 under a facility letter dated 2 February 2018.

On 17 March 2021, the Company was ordered to be wound up by the High Court in HCCW 430/2020 and the Official Receiver was appointed as the provisional liquidator of the Company.

On 16 April 2021, the High Court ordered that Mr. Lai Kar Yan (Derek) of Deloitte Touche Tohmatsu and Mr. Chan Man Hoi of Deloitte & Touche Financial Advisory Services Limited (together the “Liquidators”) were appointed as the joint and several liquidators of the Company.

Listing status of the Company

At the request of the Company, the trading in the Company’s shares on the Stock Exchange has been suspended since 18 March 2021 due to the pending the release of an inside information in relation to a winding up order granted by the High Court against the Company. By way of letters dated 29 April 2021 and 22 July 2022, the Stock Exchange imposed the following resumption guidance (the “Resumption Guidance”) for the Company:

1. publish all outstanding financial results and address any audit modifications;
2. demonstrate compliance with Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) (i.e., to carry out, directly or indirectly, a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of the Company’s securities);

3. have the winding-up order against the Company withdrawn or dismissed and the appointment of any liquidators (provisional or not) discharged;
4. demonstrate compliance with Rules 3.10(1) and 3.10A of the Listing Rules (i.e., to have at least three independent non-executive directors (“INEDs”), who shall represent at least one-third of the board of directors of the Company);
5. inform the market of all material information for shareholders and investors to appraise the Company’s position; and
6. re-comply with Rule 3.27A (i.e., to have a nomination committee chaired by the chairman of the board of directors of the Company or an INED and comprising a majority of INEDs).

For details, please refer to the announcements made by the Company dated 6 May 2021 and 27 July 2022.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period had been expired on 17 September 2022. As the Company has yet remedied the issues causing its trading suspension, fulfilled the Resumption Guidance and fully complied with the Listing Rules to the Stock Exchange’s satisfaction and resumed trading in its shares by 17 September 2022, it will be at the discretion of the Listing Division of the Stock Exchange to recommend the listing committee of the Stock Exchange to proceed with the cancellation of the Company’s listing.

The Company is taking appropriate steps to comply with the Resumption Guidance and the Listing Rules to the Stock Exchange’s satisfaction before trading in its shares is allowed to resume (the “Resumption”). On 16 September 2022, the Company submitted a resumption proposal (the “Resumption Proposal”) to the Stock Exchange and the Company is taking appropriate steps to fulfil the Resumption Guidance.

Please refer to the announcements of the Company dated 6 May 2021, 17 June 2021, 16 September 2021, 16 December 2021, 16 March 2022, 17 June 2022, 28 July 2022 and 16 September 2022 for details of the progress of the Resumption. The Company will keep its shareholders and public informed of the developments in this regard by making further announcements as and when appropriate.

Proposed Restructuring of the Group

On 19 June 2022, the Company, the Liquidators and iSpring International Holdings Limited (伊泉國際控股有限公司) (a limited liability company incorporated in Hong Kong owned by Mr. Wang Xiaogang who is one of the Company’s early-stage investors and a seasoned investor in the area of equity investment) (the “Investor”) entered into a non-legally binding term sheet in relation to the proposed restructuring of the Group. For details, please refer to the announcement made by the Company dated 19 June 2022.

On 18 August 2022, the Company, the Liquidators and the Investor entered into the restructuring agreement (the “Restructuring Agreement”) in relation to the restructuring of the Group (the “Proposed Restructuring”) which shall include:

- (i) the reorganisation of the capital of the Company comprising, inter alia, (a) the capital reduction, (b) the share sub-division, and (c) the share consolidation (the “Capital Reorganisation”);
- (ii) the proposed share subscription by the Investor (the “Subscription”);
- (iii) the restructuring of the Group which may involve, among other things, continuation of the water purification business through the operating companies (the “Operational Restructuring”); and
- (iv) the restructuring of the Company’s debts which may involve, among other things, the divestment of all the subsidiaries in the Group (except the operating companies) to a special purpose vehicle (the “Debt Restructuring”).

Details of the Restructuring Agreement shall be referred to the announcement made by the Company dated 18 August 2022.

Subject to the terms and conditions of the Restructuring Agreement, it is expected that the completion of the Proposed Restructuring shall be conditional upon, among other things, the fulfilment of the conditions precedent to be set out in the Restructuring Agreement, including but not limited to the following:

- a. the Stock Exchange unconditionally, or under the condition(s) that are agreed by both the Company and the Investor, granting the listing of, and permission to deal in, the subscription shares and the creditors’ shares under the Debt Restructuring (if applicable), and such approval not subsequently being revoked or withdrawn;
- b. the passing of the necessary resolutions by the shareholders (who are permitted to vote under the Listing Rules and the Code on Takeovers and Mergers (“Takeovers Code”)) at the Company’s extraordinary general meeting to approve, among others, the following:
 - i. the Restructuring Agreement and the transactions contemplated thereunder, including the allotment and issue of the subscription shares;
 - ii. the allotment and issue of the creditors’ shares (if applicable);
 - iii. the waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of the Investor to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Investor and/or its designee(s) and the parties acting in concert with them as a result of the completion of the Proposed Restructuring (which involves the Subscription) (the “Whitewash Waiver”), if any; and
 - iv. other resolutions may be needed for the execution and implementation of the Proposed Restructuring.

- c. the granting of the Whitewash Waiver by the Securities and Futures Commission of Hong Kong related to the subscription of the subscription shares by the Investor and/or its designee(s), and such granting of the Whitewash Waiver not subsequently being revoked or withdrawn;
- d. the submission of a resumption proposal to the Stock Exchange with its in-principle approval, and such approval not subsequently being revoked or withdrawn;
- e. fulfilment of all the resumption conditions imposed by the Stock Exchange;
- f. fulfilment of publishing all outstanding financial results required by the Listing Rules and addressing any audit modifications;
- g. maintaining the minimum prescribed public holding percentage as required by the Listing Rules; and
- h. other condition(s) precedent set out in the Restructuring Agreement.

The conditions precedent (b)(iii) and (c) above are intended to be non-waivable.

Going concern basis

During the year ended 31 December 2021, the Group incurred a net loss of approximately RMB370,196,000. As at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately RMB2,766,365,000 and the Group's total liabilities exceeded its total assets by approximately RMB298,240,000. As at the date of the approval of the consolidated financial statements, the Proposed Restructuring as mentioned in above are subject to, among others, the approval of independent shareholders of the Company as mentioned in above.

These conditions indicate the existence of uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, in view of the progress made in respect of the Proposed Restructuring of the Group (which shall compromise and discharge the indebtedness of the Company and as a result improve the liquidity and solvency position of the Group as a whole), the consolidated financial statements have been prepared on a going concern basis, on the assumption that the Proposed Restructuring of the Company will be completed and the Group will be able to improve its financial position and business upon completion of the Proposed Restructuring. The validity of the going concern assumption is dependent on the successful and favorable outcomes of the measures taken by the Group including the completion of the Proposed Restructuring as well as the successful operation and satisfactory performance of the operating companies.

The consolidated financial statements do not incorporate any adjustments for possible failure of the Proposed Restructuring and the continuance of the Group as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts and to provide for any further liabilities which might arise, and to reclassify 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.

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (collectively referred to as the “Group”) and have been prepared based on limited books of account and records available to the directors of the Company and the Liquidators to fulfil the Company’s responsibilities for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”).

The Group’s businesses were severely and immediately impacted by the outbreaks of novel coronavirus since late 2019 and following to the overdue repayment of certain bank and other borrowings and convertible bonds, it accelerated the repayment obligations owned to certain creditors of the Group. Enforcement actions had been taken by creditors in the PRC against the Company’s onshore subsidiaries which carried out the business operation of the Group.

In light of the disruptions and uncertainty surrounding the Group’s operations, some of the employees of the Group, including key personnel of the management team and key personnel responsible for finance and accounting matters, had left the Group and the Group only retained a reduced number of employees to assist with the Group’s operations given the financial predicaments faced by the Group. Notwithstanding the above, the local management team indicated that the operating activities of the Group were continued to be conducted and maintained through the Group’s distributors.

In the balance of maintaining the business operations and the use of limited funds/resources available to the Group, the directors of the Company and the local management team had taken all reasonable steps to preserve and maintain the books and records of the Group that were left behind by certain former management and key personnel responsible for finance and accounting matters, including but not limited to the management accounts, ledgers and sub-ledgers account, vouchers, bank statements, agreements and other documentations.

Despite the best endeavour of the directors of the Company and the local management team to (i) locate certain supporting documents, such as invoices, receipts and purchase orders, regarding certain business transactions; (ii) assemble the explanations on the journal entries; and (iii) retrieve the operating information from the Group’s distributors (collectively referred to as the “Specific Records”), they were unable to fully access/recover the Specific Records as a result of certain directors of the Company not being contactable despite multiple attempts as well as the resignation of certain senior management and the majority of the accounting staff. They were also unable to determine whether the Specific Records were absent in the first place or updated.

In the opinion of the directors of the Company, the historical information in respect of the Group that is available to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions and financial position of the Group and may contain significant errors and were not found to be sufficient for the audit purposes. Due to limited books of account and records available to the Group and that all the former key personnel in local main operating subsidiaries responsible for sales, procurement, financing and accounting matters of the Group had left, the directors of the Company and the Liquidators believe that it is almost impossible, and not practicable, to verify the financial information as reported in the Group's audited consolidated financial statements in respect of the previous years. Accordingly, the comparative financial information shown in the consolidated financial statements only represents such information as reported in the published consolidated financial statements of the Group for the year ended 31 December 2020 and therefore may not be comparable with the figures for the current year ended 31 December 2021. The directors of the Company and the Liquidators also believe that it is almost impossible, and not practical, to ascertain the transactions and balances in respect of the year ended 31 December 2021 included in the consolidated financial statements.

In this regard, no representation is made by the directors of the Company and the Liquidators as to the completeness, occurrence/existence, accuracy, classification, presentation and disclosures of the transactions and balances in respect of the year ended 31 December 2021 included in the consolidated financial statements and whether the consolidated financial statements have been properly prepared in accordance with IFRSs and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

Due to insufficient financial information, the consolidated financial statements do not contain certain disclosures under IFRSs, the Hong Kong Companies Ordinance and the Listing Rules.

The consolidated financial statements are presented in RMB, and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income ("FVOCI") and derivative component of convertible bonds measured at fair value through profit or loss ("FVPL").

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption of the new/revised IFRSs that are relevant to the Group and effective from the current year as set out below.

Adoption of new/revised IFRSs

The Group has applied, for the first time, the following new/revised IFRSs that are relevant to the Group:

Amendments to IAS 39,
IFRSs 4, 7, 9 and 16

Interest Rate Benchmark Reform — Phase 2

The adoption of the new/revised IFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years.

3. FUTURE CHANGES IN IFRSs

At the date of authorisation of these consolidated financial statements, the IASB has issued the following new/revised IFRSs that are not yet effective for the current year, which the Group has not early adopted:

| | |
|----------------------------------|---|
| Amendments to IFRS 16 | Covid-19-Related Rent Concessions Beyond 30 June 2021 ¹ |
| Amendments to IAS 16 | Proceeds before Intended Use ² |
| Amendments to IAS 37 | Cost of Fulfilling a Contract ² |
| Amendments to IFRS 3 | Reference to the Conceptual Framework ² |
| Annual Improvements to IFRSs | 2018–2020 Cycle ² |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current ³ |
| Amendments to IAS 1 | Disclosure of Accounting Policies ³ |
| Amendments to IAS 8 | Definition of Accounting Estimates ³ |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³ |
| IFRS 17 | Insurance Contracts ³ |
| Amendment to IFRS 17 | Initial Application of IFRS 17 and IFRS 9 — Comparative Information ³ |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback ⁵ |

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ The effective date to be determined

⁵ Effective for annual periods beginning on or after 1 January 2024

The directors of the Company do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's consolidated financial statements.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the rental income of water purification machines, air sanitisation service income, training service income, sale of micro motor products, industrial/household water purification machines and air sanitisation products and income from other services, mainly the interest income from financing services.

An analysis of revenue is as follows:

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--|------------------------|------------------------|
| <i>Revenue from contracts with customers</i> | 171,743 | 529,821 |
| <i>Revenue from other sources</i> | | |
| Gross rental income | 146,780 | 172,071 |
| Interest income from financing services | — | 475 |
| | 318,523 | 702,367 |

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

| Segments | Water purification services <i>RMB'000</i> | Air sanitisation services <i>RMB'000</i> | Supply chain services <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|---|---|-------------------------|
| Type of goods or services | | | | |
| Sale of goods | 171,743 | – | – | 171,743 |
| Total revenue from contracts with customers | <u>171,743</u> | <u>–</u> | <u>–</u> | <u>171,743</u> |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | 171,743 | – | – | 171,743 |
| Total revenue from contracts with customers | <u>171,743</u> | <u>–</u> | <u>–</u> | <u>171,743</u> |

For the year ended 31 December 2020

| Segments | Water purification services <i>RMB'000</i> | Air sanitisation services <i>RMB'000</i> | Supply chain services <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|---|---|-------------------------|
| Type of goods or services | | | | |
| Sale of goods | 309,560 | 4,082 | 216,179 | 529,821 |
| Total revenue from contracts with customers | <u>309,560</u> | <u>4,082</u> | <u>216,179</u> | <u>529,821</u> |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | 309,560 | 4,082 | 216,179 | 529,821 |
| Total revenue from contracts with customers | <u>309,560</u> | <u>4,082</u> | <u>216,179</u> | <u>529,821</u> |

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2021

| Segments | Water purification services <i>RMB'000</i> | Air sanitisation services <i>RMB'000</i> | Supply chain services <i>RMB'000</i> | Other services <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|---|---|-------------------------------------|-------------------------|
| Revenue from contracts with customers | | | | | |
| External customers | <u>171,743</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>171,743</u> |
| Revenue from other sources | | | | | |
| External customers | <u>146,780</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>146,780</u> |
| | <u><u>318,523</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>318,523</u></u> |

For the year ended 31 December 2020

| Segments | Water purification services <i>RMB'000</i> | Air sanitisation services <i>RMB'000</i> | Supply chain services <i>RMB'000</i> | Other services <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|---|---|-------------------------------------|-------------------------|
| Revenue from contracts with customers | | | | | |
| External customers | <u>309,560</u> | <u>4,082</u> | <u>216,179</u> | <u>–</u> | <u>529,821</u> |
| Revenue from other sources | | | | | |
| External customers | <u>172,071</u> | <u>–</u> | <u>–</u> | <u>475</u> | <u>172,546</u> |
| | <u><u>481,631</u></u> | <u><u>4,082</u></u> | <u><u>216,179</u></u> | <u><u>475</u></u> | <u><u>702,367</u></u> |

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 180 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

An analysis of other income and gains is as follows:

| | 2021 | 2020 |
|------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Other income | | |
| Interest income | – | 2,320 |
| Government grants* | – | 1,782 |
| Super deduction of VAT input | – | 1,775 |
| Others | – | 11,974 |
| | <u>–</u> | <u>17,851</u> |
| | <u>–</u> | <u>17,851</u> |

* Government grants of the Group are related to income. There are no unfulfilled conditions or contingencies attached to these grants.

On the basis as set out in note 2 to the consolidated financial statements, no representation is made by the directors of the Company and the Liquidators as to the completeness, occurrence, accuracy, classification, presentation and disclosures of revenue, other income and gains.

5. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,104,612,096 (2020: 2,104,612,096) in issue during the year ended 31 December 2021.

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflect the loss and share data used in the basic and diluted loss per share computations:

| | 2021 | 2020 |
|--|--------------------------------|----------------------|
| | RMB'000 | RMB'000 |
| Loss: | | |
| Loss attributable to owners of the Company, used in the basic loss per share calculation | (352,049) | (1,883,416) |
| Interest on convertible bonds | 38,942 | 71,272 |
| | <u>(313,107)</u> | <u>(1,812,144)</u> |
| | <u>Number of shares</u> | |
| Shares: | | |
| Weighted average number of ordinary shares for basic loss per share | 2,104,612,096 | 2,104,612,096 |
| Effect of dilution — weighted average number of ordinary shares: Convertible bonds | 97,960,095 | 326,917,777 |
| | <u>2,202,572,191</u> | <u>2,431,529,873</u> |
| Basic loss per share (RMB cents) | (16.73) | (89.49) |
| Diluted loss per share (RMB cents)* | (16.73) | (89.49) |

* No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the convertible bonds outstanding, share options and restricted share units had an anti-dilutive effect on the basic loss per share amount presented.

On the basis as set out in note 2 to the consolidated financial statements, the loss attributable to ordinary equity holders of the Company may not be accurate, and no representation is made by the directors of the Company and the Liquidators as to the accuracy of the loss per share of the Company.

6. TRADE AND BILLS RECEIVABLES

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---------------------------------|------------------------|------------------------|
| Trade receivables | 1,082,028 | 1,050,940 |
| Bills receivables | <u>15,528</u> | <u>15,528</u> |
| | 1,097,556 | 1,066,468 |
| Impairment | <u>(293,295)</u> | <u>(293,295)</u> |
| Net trade and bills receivables | <u><u>804,261</u></u> | <u><u>773,173</u></u> |

Trade and bills receivables mainly represent rental service receivables from distributors, receivables for air sanitisation services and receivables for sales of micro motor products. The Group usually requires a payment in advance before the installation of water purification machines or offering rental service from most of the distributors. The Group only grants a credit period to some distributors with long-term relationship and good credit history. The credit period is generally 6 months for the rental service. For sales of goods of water purification machines, the Group grants a credit term less than 90 days to the customers. For air sanitisation service receivables, the credit terms are stipulated in the relevant contracts. The credit period is generally three months with a retention period of one year. For sales of micro motor products, the Group grants a credit term of generally 3 to 4 months to the customers. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are unsecured and non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the revenue date and net of loss allowance, is as follows:

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---------------------------------|------------------------|------------------------|
| Within 1 year | 74,006 | 70,268 |
| Over 1 year and within 2 years | 46,764 | 698,265 |
| Over 2 years and within 3 years | 683,223 | 4,123 |
| Over 3 years | <u>268</u> | <u>517</u> |
| | <u><u>804,261</u></u> | <u><u>773,173</u></u> |

The movement in the loss allowance for impairment of trade and bills receivables are as follows:

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| At the beginning of the reporting period | 293,295 | 120,066 |
| Impairment losses, net | <u>–</u> | <u>173,229</u> |
| At the end of the reporting period | <u>293,295</u> | <u>293,295</u> |

On the basis as set out in note 2 to the consolidated financial statements, no representation is made by the directors of the Company and the Liquidators as to the completeness, existence, accuracy, classification, presentation and disclosures of trade and bills receivables.

7. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables of the Group at the end of the reporting period, based on the invoice date, is as follows:

| | 2021 | 2020 |
|----------------------------------|-----------------------|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 90 days | 2,666 | 6,951 |
| Over 90 days and within 180 days | 2,205 | 2,286 |
| Over 180 days and within 1 year | 2,248 | 12,672 |
| Over 1 year and within 2 years | 19,503 | 265,005 |
| Over 2 years and within 3 years | 141,516 | 11,864 |
| Over 3 years | <u>81,675</u> | <u>6,526</u> |
| | <u>249,813</u> | <u>305,304</u> |

The trade and bills payables are unsecured, non-interest-bearing and normally repayable within one to two months or on demand.

On the basis as set out in note 2 to the consolidated financial statements, no representation is made by the directors of the Company and the Liquidators as to the completeness, existence, accuracy, classification, presentation and disclosures of trade and bills payables.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The following is the extract of the independent auditor’s report on the Company’s consolidated financial statements for the year ended 31 December 2021.

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

During the year ended 31 December 2021, the Group incurred a net loss of approximately RMB370,196,000. As at 31 December 2021, the Group’s current liabilities exceeded its current assets by approximately RMB2,766,365,000 and the Group’s total liabilities exceeded its total assets by approximately RMB298,240,000.

On 14 December 2020, the Company received a petition filed by DBS Bank LTD., Hong Kong Branch (“DBS”) in the High Court of the Hong Kong Special Administrative Region (the “High Court”) for the winding up of the Company in connection with the Company’s failure to settle a sum of approximately US\$25,185,777.08 with interest. The debt arose from a guarantee and indemnity dated 26 March 2018 executed by the Company in relation to bank facilities granted by DBS to Hong Kong Fresh Water International Group Limited, a wholly-owned subsidiary of the Company.

On 17 March 2021, the Company was ordered to be wound up by the High Court. On 16 April 2021, Mr. Lai Kar Yan (Derek) of Deloitte Touche Tohmatsu and Mr. Chan Man Hoi of Deloitte & Touche Financial Advisory Services Limited (together the “Liquidators”) were appointed as the joint and several liquidators of the Company by an order of the High Court.

On 18 August 2022, the Company, the Liquidators and iSpring International Holdings Limited (伊泉國際控股有限公司) (the “Investor”) entered into a restructuring agreement (the “Restructuring Agreement”) in respect of the restructuring of the Group (the “Restructuring”), which shall include (i) the Capital Reorganisation, (ii) the Subscription, (iii) the Operational Restructuring, and (iv) the Debt Restructuring, further details of which are set out in Note 1 to the consolidated financial statements.

As at the date of approval of the consolidated financial statements, the Operational Restructuring has been implemented and the Debt Restructuring is carried out by way of a Creditor Scheme as set out in Note 1 to the consolidated financial statements, which has been sanctioned without modifications by the High Court as disclosed in the announcement dated 13 September 2022. The Capital Reorganisation, the Subscription and the Whitewash Waiver as set out in Note 1 to the consolidated financial statements contemplated thereunder are subject to the approval of independent shareholders of the Company.

The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on, among others, the successful and favourable outcomes of the Restructuring, which are subject to uncertainties including the successful approval, completion and/or favourable outcomes of the Capital Reorganisation, the Subscription, the Operational Restructuring, the Debt Restructuring and the Whitewash Waiver under the Restructuring.

As disclosed in the Company’s announcement dated 18 August 2022, the transactions contemplated under the Restructuring Agreement are subject to the fulfilment of various conditions and therefore may or may not materialise. The completion of the Restructuring is subject to uncertainties.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the Group fail to achieve the measures under the Restructuring or attain favourable results in respect of the above matters, 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 reclassify 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.

Insufficient Accounting Records of Certain Subsidiaries of the Group

As described in “Basis of preparation” section in Note 2 to the consolidated financial statements, due to the Group’s businesses were severely and immediately impacted by the outbreaks of novel coronavirus since late 2019 and following to the overdue repayment of certain bank and other borrowings and convertible bonds, it accelerated the repayment obligations of certain liabilities of the Group. Enforcement actions had been taken by certain creditors in the PRC against the Company’s onshore subsidiaries which carried out the business operation of the Group.

In light of the disruptions and uncertainty surrounding the Group’s operations, some of the employees of the Group, including key personnel of the management team and key personnel responsible for finance and accounting matters, had left the Group and the Group only retained a reduced number of employees to assist with the Group’s operations given the financial predicaments faced by the Group. Notwithstanding the above, the local management team indicated that the operating activities of the Group were continued to be conducted and maintained through the Group’s distributors.

In the balance of maintaining the business operations and the use of limited funds/resources available to the Group, the directors of the Company and the local management team had taken all reasonable steps to preserve and maintain the books and records of the Group that were left behind by certain former management and key personnel responsible for finance and accounting matters, including but not limited to the management accounts, ledgers and sub-ledgers account, vouchers, bank statements, agreements and other documentations.

Despite the best endeavour of the directors of the Company and the local management team to (i) locate certain supporting documents, such as invoices, receipts and purchase orders, regarding certain business transactions; (ii) assemble the explanations on the journal entries; and (iii) retrieve the operating information from the Group’s distributors (collectively referred to as the “Specific Records”), they were unable to fully access/recover the Specific Records as a result of certain directors of the Company not being contactable despite multiple attempts as well as the resignation of the certain senior management and the majority of the accounting staff. They were unable to determine whether the Specific Records were absent in the first place or updated. In this connection, no representation is made by the directors of the Company and the Liquidators as to the completeness, occurrence/existence, accuracy, classification, presentation and disclosures of the transactions and balances in respect of the year ended 31 December 2021 included in the consolidated financial statements, and whether the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Given the circumstances that, which are disclosed in Note 2 to the consolidated financial statements, (i) all the former key personnel in local main operating subsidiaries responsible for sales, procurement, financing and accounting matters of the Group had left the Group; and (ii) limited books of account and records could be accessed/recovered by the directors of the Company and the Liquidators who make no representation as to the completeness, occurrence/existence, accuracy, classification, presentation and disclosures of the transactions and balances in respect of the year ended 31 December 2021 included in the consolidated financial statements, and whether the consolidated financial statements have been properly prepared in accordance with IFRSs and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules, we were unable to obtain sufficient appropriate audit evidence for the financial information of certain subsidiaries of the Group as their books of account and records were either not available to us or not sufficient for audit purposes. As a result, we were unable to carry out necessary audit procedures to determine whether the income and expenses for the year ended 31 December 2021, the assets and liabilities as at 31 December 2021 and the related disclosure notes in relation to the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, and related explanatory information for the year ended 31 December 2021.

Included in the statement of financial position of the Company in the notes to the consolidated financial statements are investments in subsidiaries of RMB213,815,000 and RMB213,815,000 and amounts due from subsidiaries of RMB1,573,861,000 and RMB1,601,720,000 as at 31 December 2020 and 31 December 2021, respectively. Due to the scope limitations as mentioned above and in the paragraph “Opening Balances and Comparative Figures” below, we were unable to verify those amounts or to determine whether any provision for impairment loss is necessary in respect of the above balances. Any adjustments would have a consequential effect on the financial position of the Company as at 31 December 2020 and 31 December 2021 and of its net loss for the years then ended and the related disclosures in the statement of financial position.

Opening Balances and Comparative Figures

As described in the above paragraph “Insufficient Accounting Records of Certain Subsidiaries of the Group” of our report and “Basis of preparation” section in Note 2 to the consolidated financial statements, due to the absence of sufficient supporting documents and explanations in relation to the accounting records of the opening balances and comparative information made available to the directors of the Company from the former management of the Group in respect of certain subsidiaries of the Group, we were unable to obtain sufficient appropriate audit evidence over the balances as at 31 December 2020 and 1 January 2021 and the transactions of the Group for the year ended 31 December 2020. Any adjustments that might have been found necessary to the opening balances of the Group as at 1 January 2021 would have a consequential effect on the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and related explanatory information for the year ended 31 December 2021. In addition, the comparative financial information shown in the consolidated financial statements only represents such information as reported in the published audited consolidated financial statements of the Group for the year ended 31 December 2020 and therefore may not be comparable with the figures for the year ended 31 December 2021.

Non-compliance with IFRSs and Omission of Disclosures

As described in the above paragraph “Insufficient Accounting Records of Certain Subsidiaries of the Group” of our report and “Basis of preparation” section in Note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company based on limited books of account and records available to them and they believe that it is almost impossible, and not practical, to ascertain the transactions and balances in respect of the year ended 31 December 2021. In this regard, no representation is made by the directors of the Company and the Liquidators as to the completeness, occurrence/existence, accuracy, classification, presentation and disclosures of the transactions and balances in respect of the year ended 31 December 2021 included in the consolidated financial statements and whether the consolidated financial statements have been properly prepared in accordance with IFRSs and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

Also, the consolidated financial statements do not contain the consolidated statement of cash flows as required by International Accounting Standard 7 “Statement of Cash Flows” and certain disclosures required by IFRSs, the Hong Kong Companies Ordinance and the Listing Rules. It is not practicable to include the omitted disclosures.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND EVENTS AFTER REPORTING PERIOD

Winding up petition against the Company and appointment of joint and several liquidators

On 14 December 2020, the Company received another petition filed by DBS Bank LTD., Hong Kong Branch (“DBS”) with the High Court for the winding up of the Company as the Company failed to repay DBS a sum of US\$25,185,777.08 as at 6 September 2020 together with further interest accruing on the sum of US\$25,000,000 under a facility letter dated 2 February 2018.

On 17 March 2021, the Company was ordered to be wound up by the High Court. On 18 March 2021, trading of the Company’s shares was suspended pending the release of an inside information announcement in relation to the winding up order granted against the Company.

On 16 April 2021, the High Court ordered that Mr. Lai Kar Yan (Derek) of Deloitte Touche Tohmatsu and Mr. Chan Man Hoi of Deloitte & Touche Financial Advisory Services Limited (the “Liquidators”) were appointed as the joint and several liquidators of the Company.

Since their appointment, the Liquidators have been investigating into the affairs of the Company and taking all necessary actions to preserve the assets. The Liquidators only managed to obtain limited books and records from the Official Receiver and certain local management and former finance personnel of the Group, through a director of the Company. Due to limited books of account and records available, the Liquidators are not in a position to confirm the completeness, existence and accuracy of the historical results of the Group. Furthermore, the Liquidators do not accept or assume responsibility for the consolidated financial statements for any purpose or to any person to whom the consolidated financial statements are shown or into whose hands they may come. The information contained in this announcement has been presented to the best knowledge of the Company and the Liquidators based on limited information made available to them up to the date of this announcement.

Listing status of the Company

At the request of the Company, the trading in the Company's shares on the Stock Exchange has been suspended since 18 March 2021 due to the pending the release of an inside information in relation to a winding up order granted by the High Court against the Company. By way of letters dated 29 April 2021 and 22 July 2022, the Stock Exchange imposed the following resumption guidance (the "Resumption Guidance") for the Company:

1. publish all outstanding financial results and address any audit modifications;
2. demonstrate compliance with Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (i.e., to carry out, directly or indirectly, a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of the Company's securities);
3. have the winding-up order against the Company withdrawn or dismissed and the appointment of any liquidators (provisional or not) discharged;
4. demonstrate compliance with Rules 3.10(1) and 3.10A of the Listing Rules (i.e., to have at least three independent non-executive directors ("INEDs"), who shall represent at least one-third of the board of directors of the Company;
5. inform the market of all material information for shareholders and investors to appraise the Company's position; and
6. re-comply with Rule 3.27A (i.e., to have a nomination committee chaired by the chairman of the board of directors of the Company or an INED and comprising a majority of INEDs).

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period had been expired on 17 September 2022. As the Company has yet to remedied the issues causing its trading suspension, fulfilled the Resumption Guidance and fully complied with the Listing Rules to the Stock Exchange's satisfaction and resumed trading in its shares by 17 September 2022, it will be at the discretion of the Listing Division of the Stock Exchange to recommend the listing committee of the Stock Exchange to proceed with the cancellation of the Company's listing.

Proposed Restructuring of the Group

On 19 June 2022, the Company, the Liquidators and iSpring International Holdings Limited (a limited liability company incorporated in Hong Kong owned by Mr. Wang Xiaogang who is one of the Company's early-stage investors and a seasoned investor in the area of equity investment) (the "Investor") entered into a non-legally binding term sheet in relation to the proposed restructuring of the Group.

On 18 August 2022, the Company, the Liquidators and the Investor entered into the restructuring agreement (the "Restructuring Agreement") in relation to the restructuring of the Group (the "Proposed Restructuring") which shall include: (i) the reorganisation of the capital of the Company comprising, inter alia, (a) the capital reduction, (b) the share sub-division, and (c) the share consolidation (the "Capital Reorganisation"); (ii) the proposed share subscription by the Investor (the "Subscription"); (iii) the restructuring of the Group which may involve, among other things, continuation of the water purification business through the operating companies (the "Operational Restructuring"); and (iv) the restructuring of the Company's debts which may involve, among other things, the divestment of all the subsidiaries in the Group (except the operating companies) to a special purpose vehicle (the "Debt Restructuring").

Details of the Restructuring Agreement has been announced in an announcement dated 18 August 2022.

Subscription

Pursuant to the terms and conditions of the Restructuring Agreement, the Company shall issue and allot, and the Investor shall subscribe for 554,406,307 New Shares (the "Subscription Shares") at the total subscription price of HK\$60,000,000, representing a subscription price of approximately HK\$0.108 per Subscription Share on the completion date.

Upon the issue and allotment of the Subscription Shares to the Investor and/or the designee(s) as instructed by the Investor in the manner and number of shares as specified by the Investor, the Subscription Shares represent approximately 65% of the total number of issued New Shares after the completion of the Proposed Restructuring as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares (as defined below) (the "Enlarged Issued Capital").

The proceeds from the Subscription shall be used for (i) repayment of indebtedness owed to the all the creditors of the Company with admitted scheme claims against the Company as at the date on which the scheme of arrangement proposed by the Company to its scheme creditors pursuant to the Hong Kong Companies Ordinance with, or subject to, any modification, addition or conditions approved or imposed by the High Court (the “Creditors Scheme”) become effective (the “Scheme Creditors”) in the amount of HK\$20,000,000, (ii) part payment of the professional fees payable to the Liquidators and the professional parties engaged by the Liquidators and the Company (including but not limited to the auditors, financial adviser, legal counsel and other advisers) in the amount of HK\$20,000,000, and (iii) general working capital to sustain the business operations of the Group in the remaining amount of HK\$20,000,000.

The Operational Restructuring

Pursuant to the Restructuring Agreement, the Company shall authorise the operating companies to operate the water purification business (the “Operating Companies”) by way of granting each Operating Company relevant rights (i) to produce and manufacture or source other manufacturers to produce and manufacture the products relating to the water purification business; (ii) to distribute and sell the products relating to the water purification business through the distribution network of the Group or such other sales channel as the Operating Companies may deem appropriate; and (iii) to use and apply the Intangible Assets (as defined below) in relation to (i) and (ii) until:

- a. the completion date, if the Resumption is successful, or
- b. both (i) transfer of the ownership of the intangible assets owned by the Company and/or the Group that are fundamental to the continuing operation of the water purification business (the “Intangible Assets”) from the Company to a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle to be set up and held by the Scheme Administrators on behalf of the Scheme Creditors (the “Scheme Company”) and (ii) the divestment of the entire issued share capital of each of the Operating Companies to the Investor and/or its designees have been completed in accordance with all applicable laws, if the Resumption is unsuccessful.

To the extent permissible or not prohibited under any applicable law and except for any performance, observance or compliance with any existing obligation or court order or any operation of law, the Company undertakes not to grant to any third party any right to use and apply the Intangible Assets as granted to each Operating Company until the earlier of: (i) the timing specified under (a) above; (ii) the timing specified under (b) above; or (iii) the termination.

The day-to-day management and operation of the water purification business shall be conducted exclusively by the board of directors of each Operating Company. The board of directors of each Operating Company will consist of not more than six directors, of which the Company shall have the right to appoint not more than two directors and the Investor shall have the right to appoint not more than four directors to the board. The board of each Operating Company shall report the business conditions of such Operating Company, including its operating results, business development, business strategies and budget, to the Liquidators or the Company on a regular basis. Any significant operational decisions should be subject to the prior approval by the Company or the Liquidators.

Subject to the needs of the business operations of the water purification business, the Investor undertakes to provide working capital loan of up to HK\$20,000,000 to Ozner ispring (Hong Kong) Limited (浩澤伊泉(香港)有限公司) (the “SPV1”), a company incorporated in Hong Kong with limited liabilities on 24 June 2022 which is a wholly-owned subsidiary of the Company, as borrower to be drawn from time to time at an interest rate per annum that is no higher than the RMB one-year loan prime rate published by the People’s Bank of China, the proceeds of which shall be used exclusively for working capital purpose of the Group, in relation to which the entire issued share capital or equity capital of a company to be incorporated, as soon as practicable after the execution of the Restructuring Agreement, in Hong Kong with limited liability, which will be a wholly-owned subsidiary of SPV1 (the “SPV1A”), Shanghai Ozner ispring Environmental Technology Development Co., Ltd.* (上海浩澤伊泉環保科技發展有限公司), a company incorporated in the PRC with limited liability on 22 July 2022, which is a wholly-owned subsidiary of SPV1 and will be transferred to SPV1A as soon as practicable after the execution of the Restructuring Agreement (the “SPV2”), a company to be incorporated in the PRC with limited liability, which will be a wholly-owned subsidiary of SPV2 (the “SPV3”) and a company to be incorporated in the PRC with limited liability, which will be a wholly-owned subsidiary of SPV2 (the “SPV4”) (SPV1, SPV1A, SPV2, SPV3, and SPV4, each an “Operating Company”, and together with their subsidiaries and affiliates from time to time, the “Operating Group”) will be charged or pledged in favour of the Investor as security for the working capital loan at the cost and expense of the Investor.

If the Resumption is unsuccessful, the Investor shall not be obliged to advance any further amount to the Group to support the working capital to the Group. The parties agree to enter a separate set of transaction documents to address the above working capital loan and relevant charges or pledges.

The Debt Restructuring

Pursuant to Part 13 of the Hong Kong Companies Ordinance, the Company shall implement the Creditors Scheme with the Scheme Creditors.

Pursuant to the Restructuring Agreement, the principal terms of the Creditors Scheme include:

- a. upon the Creditors Scheme becoming effective, all claims against the Company will be fully and finally compromised, discharged and/or settled, but without prejudice to the rights of any Scheme Creditor to enforce any guarantees or security interest against all subsidiaries of the Group other than the Operating Companies (the “Excluded Subsidiaries”) (or any of them);
- b. the Scheme Creditors will receive a pro rata distribution of the assets to be transferred to the Creditors Scheme for the benefit of the Scheme Creditors pursuant to the Creditors Scheme (the “Scheme Assets”) in full and final satisfaction and release of all their claims;
- c. if the Resumption is successful:
 - i. the Company will assign, transfer or procure the transfer of HK\$20,000,000 of the proceeds from the Subscription to the Liquidators or such persons who are appointed as the scheme administrators or their successors pursuant to the terms of the Creditors Scheme (the “Scheme Administrators”) or a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle to be set up and held by the Scheme Administrators on behalf of the Scheme Creditors (the “Scheme Company”) for the benefit of the Scheme Creditors, which will be distributed among the Scheme Creditors on a pro rata basis;
 - ii. the Company will issue 213,233,195 New Shares to be allotted and issued to the Scheme Creditors or the Scheme Company representing the interests of the Scheme Creditors under the Creditors Scheme (the “Creditors’ Shares”) to the Scheme Creditors (or the Scheme Company representing the interests of the Scheme Creditors) under the Creditors Scheme, representing approximately 25% of the Enlarged Issued Capital, on a pro rata basis;
 - iii. the entire share capital or equity capital of each of the Excluded Subsidiaries will be transferred to the Scheme Company at nil or nominal consideration; and
 - iv. all assets of the Company (including all receivables due from third parties to the Group but excluding the Intangible Assets that are applied and used by the Operating Companies for the water purification business and the assets of each Operating Company) shall be transferred to the Scheme Company at nil or nominal consideration.

- d. if the Resumption is unsuccessful:
- i. save and except for the matters of the Operational Restructuring and the Debt Restructuring which would have been completed, the matters of the Capital Reorganisation and the Subscription will not take place;
 - ii. the entire share capital or equity capital of each of the Excluded Subsidiaries will be transferred to the Scheme Company at nil or nominal consideration;
 - iii. all assets of the Company (including all receivables due from third parties and the Intangible Assets) will be transferred to the Scheme Company, and the Scheme Company will continue to authorise the Operating Companies to use and apply the Intangible Assets to be owned by the Scheme Company for the Water Purification Business at nil or nominal consideration; and
 - iv. in respect of the Operating Companies: (a) the entire share capital or equity capital of each Operating Company (and its subsidiaries, if any) will be transferred to the Investor and/or its designee(s) at nil or nominal consideration; and (b) upon completion of the transfer of the share capital under (a), as consideration for the granting of the authorisation by the Scheme Company to use and apply the Intangible Assets to be owned by the Scheme Company for the Water Purification Business (irrespective of whether or not such Intangible Assets are actually used), the Investor and/or its designee(s) will, or shall procure the Operating Companies to, pay to the Scheme Company in an amount equivalent to 8% of the consolidated net profit after tax of the Operating Group each year for a period of 10 years following completion of the transfer of share capital under (a).

For the purpose of paragraph (iv) above, the consolidated net profit after tax of the Operating Group shall be determined with reference to the audited consolidated financial statements of the Operating Group for each financial year ending 31 December, which shall be prepared in accordance with applicable laws and generally accepted accounting principles from time to time applicable to the Operating Group (including the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”), or the China Accounting Standards for Business Enterprises issued by the China Accounting Standards Committee of the Ministry of Finance of the PRC) and audited by any one of Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers or any other firm of auditors of international repute which the Scheme Administrators and the Scheme Company on one hand and the Investor on the other hand may mutually approve from time to time, and which shall be completed as soon as possible but in any event within three months after the end of each of its financial years and, as soon as the same become available but in any

event within seven (7) days thereafter, provided by the Investor and/or the Operating Group to the Scheme Administrators and the Scheme Company, upon which the amount of the yearly payment shall be determined by the Scheme Administrators by reference to the information provided and be paid by the Investor or the Operating Companies within 30 calendar days thereafter.

The Creditors Scheme has been approved by the requisite statutory majorities of the Scheme Creditors at the Creditors Scheme Meeting held on 22 August 2022 and, pursuant to the order dated 7 September 2022, the Hong Kong Court has sanctioned without modification the Creditors Scheme. As disclosed in the Announcement dated 18 August 2022, once the Creditors Scheme is sanctioned by the court, the relevant court order has been registered in the Companies Registry in Hong Kong, and the Scheme Assets are received by the Scheme Company, the Scheme will become binding and effective even if the Resumption does not occur.

PROSPECTS

The Group is undergoing the Proposed Restructuring. As part of the operational restructuring under the Proposed Restructuring, the Group is continuing its water purification business via the Operating Companies. As at the date of this announcement, the Operating Companies have re-hired or transferred the employment of the employees of the Group, entered into new service (and/or rental) agreements with existing distributors of the Group and generated revenue.

Upon the completion of the Proposed Restructuring, all claims against the Company shall be discharged in full by virtue of the implementation of the Creditors Scheme, which has already been sanctioned by the Hong Kong Court. The directors are confident that upon the completion of the Proposed Restructuring, the Retained Group's business and financial position will be improved and the Retained Group will have sufficient level of operation to maintain its listing status.

FINANCIAL PERFORMANCE

Revenue

The revenue of the Group decreased from approximately RMB702 million for the year ended 31 December 2020 to approximately RMB319 million for the year ended 31 December 2021 mainly due to the drop in the revenue from contracts with customers from approximately RMB530 million to RMB172 million and also revenue from gross rental income from approximately RMB172 million to approximately RMB147 million.

Gross profit/loss

Gross profit of the Group was approximately RMB14 million for the year ended 31 December 2021, while the Group recorded gross loss with the amount approximately RMB602 million for the year ended 31 December 2020.

Liquidity and financial resources

As at 31 December 2021, the Group had cash and bank balances of approximately RMB8,000 with a gearing ratio of 1.11 times. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, convertible bonds and lease liabilities less cash, bank balances and restricted deposits. Total capital is calculated as total equity plus net debt. The current ratio (current assets divided by current liabilities) was 0.40 times (2020: 0.43 times). As at 31 December 2021, the Group's interest-bearing bank and other borrowings, lease liabilities and the liability component of convertible bonds amounted to approximately RMB2,556.9 million (as at 31 December 2020: RMB2,562.6 million) and approximately RMB420.2 million (as at 31 December 2020: RMB393.9 million), respectively. The 2015 Convertible Bonds and 2018 Convertible Bonds have matured on 6 November 2020 and on 2 November 2021, respectively, and their interest rates are 5.0% per annum and 6.8% per annum, respectively. The interest-bearing bank and other borrowings were denominated in RMB and USD, while the convertible bonds were denominated in Hong Kong dollars.

Foreign exchange risk

The Group's transaction currencies are principally denominated in Renminbi and Hong Kong dollars. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

DIVIDEND

No dividend is declared for the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

COMPLIANCE WITH THE LISTING RULES AND THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year under review, in compliance with the Listing Rules and the code provisions (the "Code Provision(s)") under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except the following deviations:

Listing Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A

Listing Rule 3.10(1) stipulates that every board of directors of a listed issuer must include at least three independent non-executive directors. Listing Rule 3.10A stipulates that an issuer must appoint independent non-executive directors representing at least one-third of the board. Listing Rule 3.21 stipulates that, among others, the audit committee must comprise a minimum of three members, and the audit committee must be chaired by an independent non-executive director. Listing Rule 3.25 stipulates that an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors. Listing Rule 3.27A stipulates that an issuer must establish a nomination committee chaired by the chairman of the board or an independent non-executive director and comprising a majority of independent non-executive directors.

For the period from 29 December 2020 to 15 September 2022, due to the resignation of Mr. LAU Tze Cheung Stanley, Mr. Chan Yuk Sing Gilbert and Ms. Huang Jing on 29 December 2020, 11 January 2021, 3 July 2021 respectively, Listing Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A are not complied with. Since the nomination committee, remuneration committee and audit committee have not been maintained, the Company was unable to comply with relevant Code Provisions under Section B.3, D.3 and E of Part 2 of the CG Code.

Subsequently, on 16 September 2022, the Company appointed Ms. Ang Mei Lee Mary, Mr. Lam Kwun Leung and Mr. Mak Tin Sang as independent non-executive directors, the Company re-complied with Listing Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A.

Code Provision D.1.1 and D.1.2 of the CG Code stipulates that management should provide sufficient explanation and information to the Board and provide all members of the Board with monthly updates. No sufficient information or monthly updates were provided to the Board or to the Liquidators since the appointment of the Liquidators.

AUDIT COMMITTEE REVIEW

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2021, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been reviewed by the audit committee of the Company and agreed by the Group's auditor, Mazars CPA Limited.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report will be dispatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

RESUMPTION GUIDANCE

The Stock Exchange has imposed the resumption guidance for the Company as detailed under the section headed "BASIS OF PREPARATION" in note 2 to the consolidated financial statements in this announcement.

The Company is taking appropriate steps to remedy the issues causing the Suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in the shares is allowed to resume. On 16 September 2022, the Company submitted a resumption proposal (the "Resumption Proposal") to the Stock Exchange and is taking appropriate steps to fulfil the Resumption Guidance.

Please refer to the announcements of the Company dated 6 May 2021, 17 June 2021, 16 September 2021, 16 December 2021, 16 March 2022, 17 June 2022, 28 July 2022 and 16 September 2022 for details of the progress of the Resumption. The Company will keep its shareholders and public informed of the developments in this regard by making further announcements as and when appropriate.

As at the date of this announcement, the Company is working towards resumption and is taking appropriate steps to fulfil the resumption conditions. The Company will keep the shareholders of the Company and the public on, among others, the progress as and when appropriate.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 18 March 2021 and will remain suspended until further notice. The Company will keep its shareholders and the public informed of the latest development by making further announcement(s) as and when appropriate.

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

By Order of the Board
Ozner Water International Holding Limited
(In Liquidation)
Xiao Shu
Executive Director

Hong Kong, 11 October 2022

At the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Xiao Shu

Mr. Xie Jin Long

Non-executive Director:

Mr. Wang Xiaodong

Independent non-executive Directors:

Ms. Ang Mei Lee Mary

Mr. Lam Kwun Leung

Mr. Mak Tin Sang