
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Ozner Water International Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Ozner Water International Holding Limited.

OZNER 浩澤
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)

**(1) SUBSCRIPTION FOR NEW OZNER SHARES;
(2) APPLICATION FOR WHITEWASH WAIVER AND
CONSENT FOR SPECIAL DEAL;
(3) APPOINTMENT OF DIRECTORS
AND
(4) NOTICE OF OZNER EGM**

Financial Adviser to Ozner



**Independent Financial Adviser to the Ozner Independent Board Committee and
the Ozner Independent Shareholders**



SOMERLEY CAPITAL LIMITED

A letter from the Ozner Board is set out on pages 8 to 37 of this circular. A letter from the Ozner Independent Board Committee containing its recommendation to the Ozner Independent Shareholders is set out on pages 38 to 39 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Ozner Independent Board Committee and the Ozner Independent Shareholders is set out on pages 40 to 85 of this circular.

A notice convening the Ozner EGM to be held at Unit 502–503a, Level 5, Core C, Cyberport 3, 100 Cyberport Road, Pok Fu Lam, Hong Kong on Tuesday, 7 January 2020 at 9:00 a.m. is set out on pages 104 to 107 of this circular. A form of proxy for use at the Ozner EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and Ozner (www.ozner.net). Whether or not you are able to attend the Ozner EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of Ozner in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Ozner EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Ozner Shareholders from attending and voting at the Ozner EGM if they so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2015 CB”	the 5% convertible bonds due 2020 in the principal amount of HK\$465.0 million issued by Ozner on 6 November 2015, which are currently held by Chongqing Zhongxinrongbang Investment Centre (Limited Partnership) (重慶中新融邦投資中心(有限合夥))
“2018 CB”	the 6.8% convertible bonds due 2021 in the principal amount of HK\$215.0 million issued by Ozner on 2 November 2018, which are currently held by CNCB (Hong Kong) Investment Limited and CNCB Capital Value SPC
“acting in concert”	has the meaning given to it in the Takeovers Code
“AML”	the Anti-Monopoly Law of the PRC
“Business Day”	a day (other than Saturday, Sunday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are open in Hong Kong for general business
“Closing”	the completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Closing Date”	the date on which Closing takes place
“Competing Business”	subject to certain exceptions, the manufacture, sale and leasing of water purification machines that are not for household usage but solely for installation in public spaces or commercial facilities (such as hotels, restaurants, banks, public transportation, airports and office buildings), but excluding the development, manufacturing, sale or leasing of any water purification products, services or technologies used in sewage treatment, water purification projects in rural areas, seawater desalination or other similar areas
“Conditions”	the conditions precedent to Closing, as more particularly set out in the section headed “ <i>The Subscription Agreement — Conditions of the Subscription</i> ” in the Letter from the Ozner Board in this circular

DEFINITIONS

“Consents”	the consents, approvals and authorisations required to be obtained by Ozner in relation to the transaction as contemplated by the Subscription Agreement, being the relevant consents under certain financing agreements entered into by one or more Ozner Group Companies before the date of the Subscription Agreement (save for any of those agreements that have been terminated prior to Closing), together with any such consents, approvals and authorisations required under any agreement which is entered into or any law which comes into effect, or by any governmental authority, before Closing
“controlling shareholder”	has the meaning given to it in the Listing Rules
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of its delegates
“Existing Competing Business”	any Competing Business conducted as of the date of the Subscription Agreement by Qingdao Haishi or any of its subsidiaries related to the production and sale of commercial water purification products
“Frost & Sullivan Report”	the Independent Market Research for China’s Drinking Water Purifier Market and Air Purification Market published by Frost & Sullivan in 2019
“Fund”	Shaanxi Haoze Venture Capital Fund (Limited Partnership)* (陝西浩澤創業投資基金(有限合夥))
“Haier Corp”	Haier Group Corporation* (海爾集團公司), a company established under the laws of the PRC and the ultimate holding company of Haier Electronics
“Haier Electronics”	Haier Electronics Group Co., Ltd. (海爾電器集團有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1169)
“Haier Electronics Director(s)”	the director(s) of Haier Electronics
“Haier Electronics Group”	Haier Electronics and its subsidiaries
“Haier Electronics Share(s)”	ordinary shares of HK\$0.01 each in the share capital of Haier Electronics
“Haier Group”	Haier Corp and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Financial Adviser”	Somerley Capital Limited, the independent financial adviser appointed to advise the Ozner Independent Board Committee and the Ozner Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment. Somerley Capital Limited is a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Joint Announcement”	the joint announcement of Ozner and Haier Electronics dated 1 November 2019 in relation to, among other things, the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment
“Last Trading Day”	1 November 2019, being the last trading day of the Ozner Shares before the entry into of the Subscription Agreement
“Latest Practicable Date”	10 December 2019, being the latest practicable date for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2020, as extended from 31 December 2019 by written notice issued by Haier Electronics according to the Subscription Agreement (or such other date as may be agreed by Ozner and Haier Electronics)
“Mr. Xiao”	Mr. Xiao Shu, the chairman and chief executive officer of Ozner, an executive Ozner Director, a substantial shareholder (as defined in the Listing Rules) of Ozner and the ultimate controlling Shareholder of Ozner as at the Latest Practicable Date
“Ozner”	Ozner Water International Holding Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Ozner Board”	the board of directors of Ozner

DEFINITIONS

“Ozner Director(s)”	the director(s) of Ozner
“Ozner EGM”	the extraordinary general meeting of Ozner to be convened and held at Unit 502–503a, Level 5, Core C, Cyberport 3, 100 Cyberport Road, Pok Fu Lam, Hong Kong on Tuesday, 7 January 2020 at 9:00 a.m. to consider and, if thought fit, approve, among other matters, the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment
“Ozner Group”	Ozner and its subsidiaries, and “ Ozner Group Company ” means any of them
“Ozner Independent Board Committee”	an independent board committee established by the Ozner Board, comprising Mr. LAU Tze Cheung Stanley, Dr. BAO Jiming, Dr. CHAN Yuk Sing Gilbert and Mr. GU Jiuchuan, being all the independent non-executive Ozner Directors, to advise the Ozner Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment and as to voting at the Ozner EGM
“Ozner Independent Shareholders”	Ozner Shareholders other than the Subscriber Concert Group and those Ozner Shareholders who are involved or interested in the Subscription
“Ozner Share(s)”	ordinary shares of HK\$0.01 each in the share capital of Ozner
“Ozner Shareholder(s)”	holder(s) of the Ozner Shares
“Ozner Warranties”	the warranties and representations of Ozner set out in the Subscription Agreement
“Possible Offer”	the possible mandatory unconditional general offer that may be made by the Subscriber for all securities of Ozner which are not owned or agreed to be acquired by the Subscriber Concert Group under Rule 26.1 and Rule 13 of the Takeovers Code in the event that Haier Electronics elects to proceed with Closing in the absence of the Whitewash Waiver
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan

DEFINITIONS

“Qingdao Haishi”	青島海施水設備有限公司 (Qingdao HAISHI Water Equipment Co., Ltd.)*, a non-wholly-owned subsidiary of Haier Electronics
“Relevant Period”	the period commencing on 1 May 2019, being six months prior to 1 November 2019 (being the date of the Joint Announcement), up to the Latest Practicable Date (both dates inclusive)
“relevant securities”	has the meaning given to it in Note 4 to Rule 22 of the Takeovers Code
“Restricted Period”	the period during which (a) the Ozner Directors nominated by Haier Electronics are appointed and constitute a majority of the Ozner Board or Ozner Directors nominated by Haier Electronics fail to constitute a majority of the Ozner Board solely as a result of any intentional action or omission by Haier Electronics in nominating and procuring that its nominees are appointed at any general meeting of Ozner or (b) Haier Electronics controls (as defined in the Subscription Agreement) Ozner
“Restricted Territories”	means the PRC, the Republic of Indonesia, Malaysia, the Republic of the Philippines, the Republic of Singapore, the Kingdom of Thailand, Brunei Darussalam, the Socialist Republic of Vietnam, the Lao People’s Democratic Republic, the Republic of the Union of Myanmar and the Kingdom of Cambodia
“RMB”	Renminbi, the lawful currency of the PRC
“RSUs”	restricted share units
“SAMR”	the State Administration for Market Regulation of the PRC or any of its relevant local counterparts authorised by applicable PRC law
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shaanxi Haoze”	Shaanxi Haoze Water Purification Technology Development Co., Ltd.* (陝西浩澤淨水科技發展有限公司)
“Specific Mandate”	the specific mandate to be granted to the Ozner Directors by the Ozner Shareholders at the Ozner EGM to allot and issue the Subscription Shares to the Subscriber

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Committee Establishment”	the establishment of the Strategic Committee (as defined in the section headed “The Subscription Agreement — Strategic Committee” in the Letter from the Ozner Board in this circular) pursuant to the Subscription Agreement
“Subscriber”	Aqua Reinvention Company Limited (海爾健康環保科技(香港)有限公司), an indirect wholly-owned subsidiary of Haier Electronics which Haier Electronics intends to procure to acquire the Subscription Shares
“Subscriber Concert Group”	the Subscriber and persons acting in concert with it, including (a) as at the Latest Practicable Date, SAIF Partners IV L.P. and (b) following Closing, SAIF Partners IV L.P. and Mr. Xiao and his related parties (namely, Baida Holdings Limited, Lion Rise Holdings Limited and Glorious Shine Holdings Limited)
“Subscriber Director(s)”	Mr. XIE Ju Zhi, Mr. HUANG Xiao Wu, Mr. QU Gui Nan, Mr. ZHANG Zhongming and Mr. ZHENG Jian Ping, being the individuals nominated by Haier Electronics to be appointed as Ozner Directors pursuant to the Subscription Agreement
“Subscriber Warranties”	the warranties and representations of Haier Electronics set out in the Subscription Agreement
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 1 November 2019 between Ozner and Haier Electronics in relation to the Subscription
“Subscription Price”	HK\$1.03 per Subscription Share
“Subscription Share(s)”	1,599,248,963 new Ozner Shares to be allotted and issued by Ozner to the Subscriber pursuant to the Subscription Agreement
“substantial shareholder”	has the meaning given to it in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transaction”	the transactions contemplated under the Subscription Agreement and any documents mentioned therein

DEFINITIONS

“Whitewash Waiver” a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber (or the Subscriber Concert Group) to make a mandatory general offer for all securities of Ozner not already owned or agreed to be acquired by the Subscriber Concert Group under Rule 26.1 and Rule 13 of the Takeovers Code which would otherwise arise as a result of the Subscriber subscribing for the Subscription Shares

“%” per cent

* *In this circular, the English or Chinese names of certain entities are translations of their Chinese or English (as the case may be) names and are included herein for identification purpose only.*

OZNER 浩澤

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)

Executive Directors:

Mr. XIAO Shu
Mr. ZHOU Guanxuan
Mr. TAN Jibin
Mr. LI Honggao
Mr. WANG Yonghui

Non-executive Directors:

Mr. WANG Duo
Ms. SUI Wei
Ms. GUI Songlei

Independent Non-executive Directors:

Mr. LAU Tze Cheung Stanley
Dr. BAO Jiming
Dr. CHAN Yuk Sing Gilbert
Mr. GU Jiuchuan

Registered Office:

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

Corporate headquarters:

No. 60 Guiqiao Road
Pudong New District
Shanghai
PRC

*Principal place of business
in Hong Kong:*

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

13 December 2019

To the Ozner Shareholders

Dear Sir or Madam,

- (1) SUBSCRIPTION FOR NEW OZNER SHARES;
(2) APPLICATION FOR WHITEWASH WAIVER AND
CONSENT FOR SPECIAL DEAL;
(3) APPOINTMENT OF DIRECTORS;
AND
(4) NOTICE OF OZNER EGM**

INTRODUCTION

Reference is made to the Joint Announcement regarding the entry by Ozner into the Subscription Agreement with Haier Electronics in relation to the Subscription on 1 November 2019.

LETTER FROM THE OZNER BOARD

The purpose of this circular is to:

- (a) provide further details of the Subscription, the Specific Mandate, the Whitewash Waiver, the Strategic Committee Establishment and the appointment of the Subscriber Directors;
- (b) set out (i) the letter of advice from the Ozner Independent Board Committee to the Ozner Independent Shareholders on the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment; (ii) the letter of advice from the Independent Financial Adviser to the Ozner Independent Board Committee and the Ozner Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment; and
- (c) give you notice of the Ozner EGM to consider and, if thought fit, pass resolutions to approve, among other things, (i) the Subscription; (ii) the Specific Mandate (iii) the Whitewash Waiver; (iv) the Strategic Committee Establishment; and (v) the appointment of the Subscriber Directors.

THE SUBSCRIPTION AGREEMENT

After the close of markets on 1 November 2019, Ozner entered into the Subscription Agreement with Haier Electronics in relation to the Subscription. A summary of the principal terms of the Subscription Agreement is set out below.

Date: 1 November 2019

Parties

Issuer: Ozner

Subscriber: Haier Electronics (or such direct or indirect wholly-owned subsidiary of Haier Electronics which it procures to acquire the Subscription Shares) (i.e., the Subscriber)

Haier Electronics is a third party independent of both Ozner and connected persons of Ozner. Without prejudice to such independence, it is noted that, Mr. Andrew Y. Yan is a non-executive director of Haier Electronics' controlling shareholder, Haier Smart Home Co., Ltd (stock code: 600690 SH), and is also the sole shareholder and director of SAIF IV GP Capital Limited, which is the sole general partner of SAIF IV GP, L.P., which in turn is the sole general partner of SAIF Partners IV L.P., which in turn is a substantial shareholder of Ozner. Mr. Andrew Y. Yan also controls 天津賽富盛元投資管理中心(有限合夥) (Tianjin SAIF Shengyuan Investment Management Center L.P.*), which is an associated company (as defined in the Takeovers Code) of Haier Electronics. Accordingly, SAIF Partners IV L.P. is presumed to be acting in concert with the Subscriber under classes (1) and (2) of the definition of "acting in concert" in the Takeovers Code.

LETTER FROM THE OZNER BOARD

The Subscription

Haier Electronics has conditionally agreed to (or to procure one of its direct or indirect wholly-owned subsidiaries to) subscribe for, and Ozner has conditionally agreed to allot and issue, 1,599,248,963 new Ozner Shares (with an aggregate nominal value of HK\$1,647,226,432) at the Subscription Price of HK\$1.03 per Subscription Share.

The Subscription Shares

As at the Latest Practicable Date, Ozner had 2,132,331,950 Ozner Shares in issue. The Subscription Shares represented (i) approximately 75.0% of the issued share capital of Ozner as at the Latest Practicable Date; and (ii) approximately 42.9% of the issued share capital of Ozner as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of Ozner other than the allotment and issue of the Subscription Shares before Closing).

The Subscription Shares, when issued and fully paid-up, will rank *pari passu* in all respects among themselves and with all the Ozner Shares in issue as at the date of allotment and issue of the Subscription Shares.

The fully-paid Subscription Shares will be acquired with all dividends and distributions which are declared after the date of allotment of the Subscription Shares in their fully-paid form.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding for any of the Subscription Shares to be transferred, charged or pledged to any other persons.

Specific Mandate

The Subscription is subject to Ozner Shareholders' approval. If approved, the Subscription Shares will be allotted and issued under the Specific Mandate to be obtained from the Ozner Shareholders at the Ozner EGM.

Application for Listing

An application will be made by Ozner to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Price

The aggregate amount of the consideration for the Subscription Shares is HK\$1,647,226,432, which shall be payable by Haier Electronics in cash upon Closing.

The Subscription Price of HK\$1.03 per Subscription Share represents:

- (a) a premium of approximately 2.0% to the closing price of HK\$1.01 per Ozner Share as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM THE OZNER BOARD

- (b) a discount of approximately 30.4% to the closing price of HK\$1.48 per Ozner Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 29.7% to the average of the closing price per Ozner Share of approximately HK\$1.47 for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (d) a discount of approximately 28.9% to the average of the closing price per Ozner Share of HK\$1.45 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (e) a discount of approximately 42.6% to the unaudited consolidated net asset value of Ozner of approximately HK\$1.80 per Ozner Share as at 30 June 2019 (based on the number of issued Ozner Shares as at 30 June 2019 and an exchange rate of: HK\$1 = RMB0.87966 as published by the People's Bank of China on 28 June 2019); and
- (f) a discount of approximately 41.8% to the audited consolidated net asset value of Ozner of approximately HK\$1.77 per Ozner Share as at 31 December 2018 (based on the number of issued Ozner Shares as at 31 December 2018 and an exchange rate of: HK\$1 = RMB0.87620 as published by the People's Bank of China on 28 December 2018).

The Subscription Price was determined after arm's length negotiation between Ozner and Haier Electronics with reference to the prevailing market prices of the Ozner Shares, the financial performance of Ozner and recent market conditions at the time of entry into the Subscription Agreement and the benefits of introducing Haier Electronics as Ozner's strategic investor as detailed in the section headed "Reasons for and Benefits of the Proposed Subscription" below.

Conditions of the Subscription

Closing is conditional upon fulfilment (or, where applicable, waiver) of the following Conditions:

- (a) the Executive having granted the Whitewash Waiver and all of the conditions (if any) attached to the Whitewash Waiver granted having been satisfied in accordance with the terms thereof, and such Whitewash Waiver having not been revoked;
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and the permission to deal in, the Subscription Shares and such approval and permission having not been withdrawn or revoked;
- (c) the passing by the Ozner Independent Shareholders at the Ozner EGM of resolutions to approve: (i) the Subscription; (ii) the Specific Mandate; and (iii) the Whitewash Waiver, in each case by way of poll in accordance with the Listing Rules, the Takeovers Code and the articles of association of Ozner;

LETTER FROM THE OZNER BOARD

- (d) the passing by the Ozner Shareholders (being such Ozner Shareholders as are permitted to vote under the Listing Rules or by the Stock Exchange) at the Ozner EGM of resolutions to approve: (i) the Subscription; (ii) the Specific Mandate; and (iii) the appointment of the Subscriber Directors, in each case by way of poll in accordance with the Listing Rules and the articles of association of Ozner;
- (e) the issuance of a notice by SAMR approving the Transaction for merger control purposes pursuant to the AML without imposing any material conditions on Haier Electronics, or the expiry of the statutory review period under the AML and no objection having been raised by SAMR with respect to the Transaction;
- (f) the Subscriber Warranties remaining true, accurate and not misleading in each case in all material respects at and as if made on the Closing Date;
- (g) the Ozner Warranties remaining true, accurate and not misleading in each case in all material respects at and as if made on the Closing Date;
- (h) there having not been a change of control of Ozner, nor any disciplinary proceedings having been initiated by the SFC or the Stock Exchange against Ozner which have resulted, or would be reasonably expected to result, in disciplinary sanctions more severe than a private reprimand;
- (i) Ozner having complied in all material respects with all of its obligations under the Subscription Agreement that are required to be performed on or before Closing;
- (j) there having been no material adverse change to the business, operations, properties, assets (tangible and intangible), liabilities (including contingent liabilities), earnings, results of operations or financial condition of the Ozner Group's business or the Ozner Group taken as a whole, or to the ability of Ozner to perform its obligations under the 2015 CB or the 2018 CB, on or prior to Closing other than changes in applicable laws or mandatory accounting standards or changes generally applicable to financial or securities markets which have a disproportionate impact on the Ozner Group relative to other participants in the same industry sector; and
- (k) Ozner having obtained all the Consents.

The Conditions in paragraphs (a) and (c) may be waived by Haier Electronics in its sole discretion when it is prepared to make a general offer under Rule 26.1 and Rule 13 of the Takeovers Code. The Conditions in paragraphs (d)(iii), (g), (h), (i), (j) and (k) above may be waived by Haier Electronics at its sole discretion. The Condition in paragraph (f) above may be waived by Ozner in its sole discretion.

LETTER FROM THE OZNER BOARD

Given that Haier Electronics is reserving its right, in accordance with the Takeovers Code, to waive the Conditions in paragraphs (a) and (c), if:

- (i) the Executive does not grant the Whitewash Waiver as referred to in paragraph (a) or the Ozner Independent Shareholders do not approve one or more of the resolutions relating to the Subscription, the Specific Mandate and the Whitewash Waiver set out in paragraph (c) (which resolutions are required in the context of a whitewashed transaction under Note 1 of the Notes on dispensations from Rule 26 of, and Schedule VI to, the Takeovers Code); but
- (ii) the Ozner Shareholders do approve the resolutions set out in paragraphs (d)(i) and (d)(ii) relating to the Subscription and the Specific Mandate (which resolutions are required in the context of an issuance of shares under Rule 13.36(1)(a) of the Listing Rules); and
- (iii) Haier Electronics elects to waive the fulfilment of the Conditions in paragraphs (a) and (c),

and if all the other Conditions are satisfied or waived, Ozner will be authorised to issue the Subscription Shares to the Subscriber.

In the event that Haier Electronics elects to waive the fulfilment of the Conditions in paragraphs (a) and (c) and proceeds with the Subscription, the Subscriber will comply with the relevant requirements under the Takeovers Code, including the making of the Possible Offer. Further announcement(s) will be published by Ozner and Haier Electronics as and when appropriate in accordance with the Listing Rules and the Takeovers Code. As at the Latest Practicable Date, Haier Electronics had not determined whether or not to proceed with the Subscription if the Conditions in paragraphs (a) and (c) are not fulfilled.

In the event the Conditions are not fulfilled (or waived) at or before 5:00 p.m., Hong Kong time, on the Long Stop Date, the Subscription Agreement may be terminated by either Ozner or Haier Electronics by notice in writing to the other party, provided that the right to terminate the Subscription Agreement shall not be available to any party whose material breach of the Subscription Agreement has resulted in or materially contributed to the failure to fulfil the Conditions.

As at the Latest Practicable Date, none of the Conditions had been fulfilled. In relation to the Condition in paragraph (e) above, an application was submitted by Haier Electronics to SAMR in relation to the Transaction on 15 November 2019. In light of the fact that the EGM will be held on 7 January 2020, based on the application of Ozner, Haier Electronics has issued a written notice to extend the Long Stop Date from 31 December 2019 to 31 March 2020.

LETTER FROM THE OZNER BOARD

Additional Undertakings

Ozner gave certain representations, warranties and indemnities to Haier Electronics and undertook to ensure the following events occur as soon as practical after the date of the Subscription Agreement and in any event before the Long Stop Date to the reasonable satisfaction of Haier Electronics:

- (a) the Ozner Group will carry out a restructuring exercise with regards to its interests in certain of its existing distributors such that, upon completion of such restructuring exercise, Ozner Group will have control over each of such distributors; and
- (b) written advice will be obtained from reporting accountants of the Ozner Group in relation to the accounting treatment of the restructuring exercise referred to in (a) above.

The detailed terms of such restructuring exercise have not yet been determined and it is unclear whether or not this would give rise to any implications under Chapter 14 of the Listing Rules. To the extent there are any such implications, Ozner will comply with applicable requirements under Chapter 14 of the Listing Rules at the relevant time.

Subject to compliance with the Listing Rules, Haier Electronics and Ozner also agreed to procure that the following agreements are entered into by them or their respective affiliates in connection with a strategic collaboration between Haier Electronics and Ozner within one month from the date of the Subscription Agreement, in each case to take effect on Closing or on such other date agreed between the parties:

- (a) a brand licence agreement (the “**Brand Licence Agreement**”) authorising the relevant Ozner Group Companies to use the “Haier” brand and relevant trademark(s) to market certain of Ozner’s products in its water purification commercial leasing business; and
- (b) a framework agreement (the “**Framework Agreement**”) regarding business cooperation in relation to (i) cooperation in production and manufacturing of certain water purification products; (ii) developing synergies in the distribution and sale of products; (iii) sharing of the Ozner Group’s and Haier Electronics’ after-sales services resources; and (iv) cooperation in financing and optimising the capital structure of Ozner.

The Framework Agreement was entered into between Haier Electronics and Ozner on 2 November 2019. The Brand Licence Agreement was entered into between Haier Electronics and Ozner on 30 November 2019 and, in addition to the authorisation referred to in paragraph (a) above, provided that the fee payable by the relevant Ozner Group Companies thereunder is nominal.

Before Closing, Ozner shall procure that the business of the Ozner Group is operated on its normal and usual basis as carried on before the date of the Subscription Agreement and, subject to the fiduciary duties of the Ozner Directors, the Ozner Group shall not do or omit to do (or allow to be done or to be omitted to be done) any act or thing which is in breach of the Ozner Warranties or

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would lead to a breach thereof in any respect or would otherwise be material to the business of the Ozner Group, including certain agreed customary matters and an obligation on Ozner (subject to compliance with the Takeovers Code and certain exceptions set out in the Subscription Agreement) not to solicit or negotiate any acquisition proposal other than the Subscription.

To support business growth, Haier Electronics has agreed, after Closing, to negotiate in good faith with Ozner: (a) to make available, subject to the financing needs proven necessary and the budget to be approved by the Ozner Board, a credit line of up to RMB500 million by way of offering an intra-group onshore entrusted loan by a subsidiary of Haier Electronics or procuring an onshore loan to be provided by a relationship bank introduced by Haier Electronics; and (b) subject to the capital needs of Ozner at such time, to procure an affiliate of Haier Electronics to provide a tailor-made financial solution to Ozner. As at the Latest Practicable Date, it had not been determined whether or not any such credit line or other financial solution will be required and, if it is, who would be the lender/provider under, and what would be the terms of, such credit line or other financial solution. If any such credit line or other financial solution is proposed to be provided to any Ozner Group Company by a subsidiary or affiliate of Haier Electronics in the future, the transaction will constitute a connected transaction of Ozner under Chapter 14A of the Listing Rules and Ozner will comply with applicable requirements under Chapter 14A of the Listing Rules at the time of the transaction.

Break fee and reverse break fee

Under the Subscription Agreement, if there is a breach by Ozner of its obligations to fulfil the Conditions by the Long Stop Date, any of its Closing obligations or its exclusivity obligation, Haier Electronics may choose to terminate the Subscription Agreement, upon which Ozner shall pay Haier Electronics a break fee of HK\$10 million within 5 Business Days, or Haier Electronics may seek other remedies without terminating the Subscription Agreement.

Under the Subscription Agreement, if there is a breach by Haier Electronics of its obligations to fulfil the Conditions by the Long Stop Date, or any of its Closing obligations, Ozner may choose to terminate the Subscription Agreement, upon which Haier Electronics shall pay Ozner a break fee of HK\$10 million within 5 Business Days, or Ozner may seek other remedies without terminating the Subscription Agreement.

Non-competition undertaking

With effect from Closing and during the Restricted Period, Haier Electronics shall not and shall procure that none of its affiliates (other than an Ozner Group Company) will, either for its own account or for that of any person (defined in the Subscription Agreement to include, among others, any firm, company or partnership) (other than an Ozner Group Company), other than through an Ozner Group Company:

- (a) carry on or be engaged in any Competing Business in any of the Restricted Territories except for the Existing Competing Business; and

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- (b) induce or seek to induce any member of the Ozner Group's senior management team who is employed by an Ozner Group Company either at the relevant time or in the preceding 12-month period to be employed whether as employee, consultant or otherwise by it or any of its affiliates, save pursuant to a general recruitment effort not targeting such person, including the placing of an advertisement of a post available to the public generally and the recruitment of a person through an employment agency if neither Haier Electronics nor any of its affiliates encourages or advises such agency to approach any relevant person.

Notwithstanding the above, Haier Electronics and its affiliates shall not be affected or prohibited from the following activities:

- (a) owning any equity or debt interest in the Subscriber or any Ozner Group Company;
- (b) holding or acquiring any equity or debt interest in any person that is engaged in any Competing Business by any affiliate of Haier Electronics which is not controlled by Haier Electronics, where such affiliate does not control or have operational management control over such person, and the equity or debt interest held by such affiliate represents no more than 20% of the entire equity interest of such person;
- (c) owning any equity or debt interest in any person engaged in a Competing Business where the revenue generated by such person from such Competing Business in the Restricted Territories shall comprise no more than 10% of the total revenue of the Ozner Group in the Restricted Territories in the most recent financial year;
- (d) conducting any activities contemplated under the Framework Agreement, or any activities for the purpose of enhancing the productivity, efficiency and competitiveness of Haier Electronics' or its affiliates' value chain function;
- (e) holding equity or debt interest and the engagement in BWT Haier Water Technology Co., Ltd. (倍世海爾飲水科技有限公司) ("**BWT Haier**") or Haier BWT Water Equipment Co., Ltd. (海爾倍世飲水設備有限公司) ("**Haier BWT**") or any of their respective subsidiaries. BWT Haier is 51% owned by BWT Aktiengesellschaft and 49% owned by an indirect wholly-owned subsidiary of Haier Electronics. Haier BWT is 60% owned by Qingdao Haishi and 40% owned by BWT Aktiengesellschaft. BWT Haier and Haier BWT mainly engage in the manufacturing and distribution of point-of-entry water purification products for residential purposes, including multi-layer water filters and water softeners, which the Ozner Group considers as different from the business of the Ozner Group in terms of target customers because the Ozner Group focuses on commercial sector customers; and
- (f) engaging in the manufacturing and sale of parts, components and other similar non-complete products related to any Competing Business.

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Subject to compliance with Listing Rules and other applicable laws, Haier Electronics will negotiate in good faith with the shareholder(s) of the Existing Competing Business (covering the production and sale of commercial water purification products by Qingdao Haishi or any of its subsidiaries) with a view to injecting the Existing Competing Business into the Ozner Group within two years after the date of the Subscription Agreement, on terms and valuation acceptable to the parties. Further information about Qingdao Haishi is set out in the section headed “Information on Haier Electronics” below.

Board composition of Ozner

Ozner will: (a) cause five individuals nominated by Haier Electronics (i.e., the Subscriber Directors) to be appointed as Ozner Directors representing a majority of the Ozner Board immediately following such appointment, having carried out the ordinary procedures for the appointment of such Ozner Directors in accordance with the Listing Rules and Ozner’s articles of association; and (b) effect the resignation of such number of Ozner Directors from the Ozner Board so as to enable the individuals nominated by Haier Electronics to represent a majority of the Ozner Board.

As disclosed in this circular, the Ozner EGM will be held to consider and, if thought fit, pass resolutions to approve, among other things, the appointment of the Subscriber Directors. Thereafter, Ozner will comply with the relevant Listing Rules and Ozner’s articles of association in relation to any change of Ozner Directors as applicable.

Details of the Subscriber Directors are set out in the section headed “Appointment of the Subscriber Directors” below. It is proposed that, subject to approval of their appointment by the Ozner Shareholders at the Ozner EGM and Closing occurring, (a) four of the Subscriber Directors (namely, Mr. XIE Ju Zhi, Mr. HUANG Xiao Wu, Mr. QU Gui Nan and Mr. ZHANG Zhongming) will be appointed effective upon Closing and one (namely, Mr. ZHENG Jian Ping) will be appointed effective on the later of Closing and 1 January 2020 and (b) certain current Ozner Directors will resign as Ozner Directors effective upon Closing. However, in the event that Haier Electronics elects to waive the fulfilment of the Conditions in paragraphs (a) and (c) in the section headed “The Subscription Agreement — Conditions of the Subscription” above and proceeds with the Subscription, the appointment of the Subscriber Directors and resignation of the current Ozner Directors will be effected instead on the later of (i) the times set out above in this paragraph and (ii) at the earliest time as may be allowed under the Takeovers Code. The remuneration of the Subscriber Directors will be determined according to the relevant remuneration policies of Ozner and set out in the service contracts.

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Strategic committee

Subject to consent by the Executive to, and approval by the Independent Ozner Shareholders of, the Strategic Committee Establishment, as soon as practicable after Closing (and in any event within 20 days after the Closing Date), Haier Electronics and Ozner will cause a strategic committee (the “**Strategic Committee**”) to be established under the Ozner Board according to the following principles, and subject to the Listing Rules and applicable laws and regulations:

- (a) each Ozner Shareholder holding 5% or more of Ozner’s issued share capital immediately following Closing (except for the Subscriber) shall be entitled to nominate one person as a member of the Strategic Committee and the appointment of such persons shall be subject to approval by the Ozner Board. In the event any such Ozner Shareholder ceases to hold 5% or more of Ozner’s issued share capital at any time following Closing, that Ozner Shareholder shall cease to be entitled to nominate a person as a member of the Strategic Committee and, unless otherwise required by the Ozner Board, any person nominated by that Ozner Shareholder shall cease to be a member of the Strategic Committee;
- (b) it is intended that the Strategic Committee shall initially comprise nine members, including four to be nominated by Haier Electronics, four to be nominated by other eligible Ozner Shareholders and one independent non-executive Ozner Director;
- (c) unless otherwise determined by the Ozner Board, the Strategic Committee shall be dissolved when no more than two of the eligible shareholders hold 5% or more of Ozner’s issued share capital or on the date falling three years after the Closing Date, whichever is earlier;
- (d) the Strategic Committee will have an advisory role and provide recommendation and comments to the Ozner Board to facilitate business strategy formulation for the consideration and approval by the Ozner Board, subject to compliance with applicable law and regulations and the Listing Rules, including but not limited to, during the term of the Strategic Committee, all major strategic proposals of the Ozner Group, including those relating to technologies, product and distribution strategy, supplier and customer development, merger and acquisition strategy, and new business shall be recommended to the Ozner Board for its consideration and approval following the review and approval of the majority of the members of the Strategic Committee. The strategic proposals to be reviewed by the Strategic Committee will only relate to the long-term overall strategy in the respective areas, and not to the conduct of Ozner’s day-to-day operations;
- (e) during the term of the Strategic Committee, each of the following matters shall only be recommended to the Ozner Board for its consideration and approval upon approval of the majority of the members of the Strategic Committee: (i) any material disposal by any Ozner Group Company of a material undertaking, material business, material company or securities of a material company, material asset or material property; (ii) the entry by any

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- Ozner Group Company into any material acquisitions or other material investments; (iii) the liquidation, administration, winding-up, bankruptcy or dissolution of any material Ozner Group Company; and (iv) the annual budgets of Ozner and the Ozner Group;
- (f) the Ozner Board may request the Strategic Committee to consider any matter which the Ozner Board believes relevant and the decision of the Strategic Committee to recommend or not to recommend a matter shall be promptly reported to the Ozner Board;
 - (g) the Strategic Committee's decision to recommend or not to recommend any of the matters set out in paragraphs (d), (e) and (f) above shall not fetter the powers of the Ozner Board to consider and approve any such matter; and
 - (h) each member of the Strategic Committee shall be subject to the same confidentiality obligations and dealing restrictions as the Ozner Directors.

The Strategic Committee as set out under the Subscription Agreement was proposed with the objective of providing recommendation to the Ozner Board with respect to review and approval of the development and implementation of Ozner's strategic plan. No member of the Strategic Committee shall receive any salary or remuneration by virtue of his or her service as a member of the Strategic Committee.

Closing

Closing shall take place on the fifth Business Day after the date on which all of the Conditions (except those which by their nature may only be satisfied on the Closing Date) are satisfied or waived, or any other date as Ozner and Haier Electronics may agree in writing.

REASONS FOR AND BENEFITS OF THE PROPOSED SUBSCRIPTION

Driven by increasing awareness of water pollution, attention to living quality improvement and disposable income, the Chinese water purification market, which is currently in its early development stage, is expected to grow at a very fast pace, with retail sales value expected to reach approximately RMB201.3 billion in 2024. In such a booming market, the retail sales value attributable to water purifiers at commercial premises will increase to approximately RMB43.9 billion in 2024 from approximately RMB20.8 billion in 2018. The above statistics are extracted from the Frost & Sullivan Report.

During the past few years, Ozner has been investing in both water purification and other related businesses. Due to its leasing business model, substantial initial capital outflow is required for the development of its water purification business, and it takes time to realise the benefit from such investments. Further, the operating environment in which the Ozner Group and its affiliates operate continues to be challenging.

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To meet its capital requirements, Ozner has been actively pursuing different financing alternatives. Various debt and equity fund raising exercises were conducted in the past to raise liquidity to support the Ozner Group's expansion. The key fundraising activities carried out by the Ozner Group since November 2015 are set out as follows:

The relevant equity fund raising exercises are as follow:

Equity fund raising exercises

- (a) issuance of new Ozner Shares on 25 January 2017 under specific mandate to Glorious Shine Holdings Limited (associate of Mr. Xiao), raising gross proceeds of approximately HK\$540.9 million which was used for manufacturing and installation of water purifying machines, the opening of "experience stores", potential merger and acquisition of targets in the water purification and air sanitization industries, the building of the distribution network and service platform, and sales and marketing activities;
- (b) issuance of new Ozner Shares on 31 May 2018 under its general mandate, raising gross proceeds of approximately HK\$180.0 million which was used for the general working capital for Ozner;

The relevant debt fund raising exercises are as follow:

Debt fund raising exercises

- (c) issuance of the 2015 CB, which remained outstanding as at the Latest Practicable Date;
- (d) issuance of the 2018 CB, which remained outstanding as at the Latest Practicable Date;
- (e) drawdown of certain secured and unsecured bank loans and as at 30 September 2019, there were loans outstanding in an amount of RMB657.5 million which was repayable within 12 months and had an effective interest rate ranging from approximately 4.4% to 10.0%;
- (f) drawdown of certain other secured and unsecured loans and as at 30 September 2019, there were loans outstanding in an amount of (i) RMB867.6 million which was repayable within 12 months and had an effective interest rate ranging from approximately 3.0% to 10.0% and (ii) RMB300.0 million which was repayable within five years and had an effective interest rate ranging from approximately 6.3% to 7.3%;
- (g) drawdown of certain factoring and entrusted loans, which had an outstanding balance of RMB37.5 million as at 31 December 2018, and was fully repaid within the six months ended 30 June 2019; and

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- (h) drawdown of certain finance lease payables and as at 30 September 2019, there were payables outstanding in an amount of (i) RMB209.1 million which was repayable within 12 months and had an effective interest rate ranging from approximately 9.0% to 17.0% and (ii) RMB50.1 million which was repayable within 36 months and had an effective interest rate ranging from approximately 10.6% to 17.0%.

Ozner's debt funding exercises conducted in recent years has led to an increase in debt and net current liabilities position. With the relatively tight credit environment in the PRC, this has also led to an increase in cost of capital for Ozner. As disclosed in Ozner's financial statements, its total debt (the sum of interest-bearing bank and other borrowings, liability component of convertible bonds, finance lease payables and lease liabilities) increased from RMB2.0 billion as at 31 December 2018 to RMB2.4 billion as at 30 June 2019. Its total cash and cash equivalent and short term investments decreased from RMB0.4 billion as at 31 December 2018 to RMB0.3 billion as at 30 June 2019. As at 30 September 2019, being the latest practicable date for the purpose of indebtedness statement prior to the printing of this circular, Ozner had total debt of RMB2.7 billion, 65.5% of which is due within 12 months, and total cash and cash equivalent and short term investment of RMB0.2 billion. This represents a 13.1% increase in total debt and an approximately 29.6% decrease in total cash and cash equivalent and short term investments balance compared to the respective balances as at 30 June 2019. As at 30 September 2019, the effective interest rates ranged from approximately 3.0% to 10.0% for bank and other borrowings, approximately 10.9% to 22.6% for convertible bonds, and approximately 9.0% to 17.0% for finance lease payables.

The Transaction would therefore provide Ozner with additional capital to meet its imminent financial needs. While Ozner has been actively pursuing different financing alternatives, including carrying out various debt and equity fundraising exercises in the past as set out above, the Ozner Directors believe that the Subscription to be the most viable funding option currently available to the Ozner Group to address its immediate financial needs. In addition, in view of the intensifying competition in the water purification market in the PRC, the Ozner Directors believe that stable shareholder support is important for enabling further penetration into the growing water purification market and solidifying Ozner's leading market position. On top of these benefits, realisation of potential synergies between Haier Electronics and Ozner is also expected to bring positive impact to Ozner's long term growth. Following Closing, Ozner is expected to become the flagship commercial water purification business platform within the Haier Group. Ozner and Haier Electronics entered into the Framework Agreement on 2 November 2019 and the Brand Licence Agreement on 30 November 2019. These two agreements together specify the areas of collaboration which include, but are not limited to, the following:

- (a) brand licensing which would authorise Ozner to use the "Haier" brand and relevant trademark(s) to market certain products of Ozner;
- (b) cooperation in production and manufacturing of certain water purification products;
- (c) cooperation in the distribution and sale of products whereby Haier Electronics and Ozner may share distribution channels to distribute their respective products;

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- (d) sharing of Ozner Group's and Haier Electronics' after-sales service resources for installation and on-site maintenance services for end users; and
- (e) cooperation in financing and optimising the capital structure of Ozner.

Benefits to Ozner

As a result of the potential collaboration, it is expected that the following benefits to Ozner may be achieved after the Transaction:

- (a) *Potential enhancement in market leadership and scale.* By leveraging the “Haier” brand and distribution channels of both parties, and being positioned as the flagship commercial water purification business platform within the Haier Group, Ozner may be able to reach a broader customer base and further grow its market share in the commercial water purification sector, which may potentially increase Ozner's revenue;
- (b) *Potential savings in manufacturing cost.* Through cooperation in production and manufacturing between Ozner and Haier Electronics, potential benefits of economies of scale and higher production efficiency may be achieved, which may potentially generate savings in manufacturing and operational costs;
- (c) *Potential savings in financing cost.* Through cooperation in financing between Ozner and Haier Electronics, Ozner may be able to gain Haier Electronics' support in improving its indebtedness structure and lowering financing costs;
- (d) *Potential product line expansion.* Haier Electronics may allow Ozner to sell through its network certain of Haier Electronics' products such as water jugs, water heaters or other home or office use products, which may result in greater utilisation of Ozner's extensive distribution channel and additional sources of revenue; and
- (e) *Improved liquidity.* The Subscription will immediately improve Ozner's liquidity, allowing the proceeds of the Subscription to be used for debt repayment and general working capital (for more details, please refer to the section headed “Use of Proceeds” below).

Taking into consideration the potential benefits of the Transaction, the Ozner Directors (including the members of the Ozner Independent Board Committee after taking into account the advice of the Independent Financial Adviser as to fairness and reasonableness of the terms of the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment) consider that the terms of the Subscription Agreement are fair and reasonable, and entering into the Transaction would be in the interests of Ozner and the Ozner Shareholders as a whole.

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Strategic rationale of Haier Electronics

As advised by Haier Electronics, as demonstrated by its investment in Qingdao Haishi, Haier Electronics has a strong belief in the continuous growth of the water purification market in the PRC, and believes that, among the various industry participants, Ozner is a significant participant in the market of commercial water filtration and purification in the PRC with quality products, services and management.

Haier Electronics expects that, upon Closing, Ozner will be positioned as the flagship commercial water purification business platform within the Haier Group and enjoy a wide range of resources available to Haier Group companies. In particular, Ozner will specialise in the commercial water purification space. It is expected that Haier Electronics and Ozner will collaborate closely in various areas including product development, research and development, distribution, supply chain management (including but not limited to manufacturing and procurement), services and investment management.

Given the potential synergy between the two groups, the Haier Electronics Directors anticipate that the Transaction will bring favourable development opportunities in relation to the commercial water purification business. The cooperation between the two groups would enable both parties to benefit from each other's respective competitive advantages.

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE OZNER GROUP

Haier Electronics has confirmed that it intends to continue the existing business of the Ozner Group and it does not currently intend to introduce any major changes to the existing operation and business of the Ozner Group or redeploy or dispose of any of the fixed or other assets of the Ozner Group other than in the ordinary course of business following the Closing. Haier Electronics also intends to maintain the listing status of Ozner on the Stock Exchange. Following Closing, Haier Electronics will, together with the management of the Ozner Group, conduct a further detailed review of the operations and business strategy of the Ozner Group with a view to improve the performance of the Ozner Group and develop corporate strategies to enhance profitability and return on capital of the Ozner Group. Subject to the results of that review and after taking into account the recommendation of the Strategic Committee, Haier Electronics will consider possible options to improve the existing operations and business of the Ozner Group or to seek new business opportunities to improve the Ozner Group's financial position and prospects, including possible co-operations with Haier Electronics to leverage on its technological capabilities, wide product range, extensive distribution and services network in the PRC and other resources that could be made available to members of the Haier Group. Haier Electronics expects that professionals with solid experience and expertise relevant to the water purification industry will be appointed to be members of the Strategic Committee. As such, the Strategic Committee's input for formulating the business strategies will be very valuable. Haier Electronics will also, together with the management of the Ozner Group, conduct a detailed review of the Ozner Group's financial position and consider potential improvements to Ozner Group's capital structure. Haier Electronics may also provide further resources to support the current businesses of the Ozner Group. In addition to capital, Haier Electronics expects to bring in professional capability, technology, know-how and business

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opportunities to Ozner which are beneficial to Ozner and the Ozner Shareholders as a whole. As at the Latest Practicable Date, except for the Framework Agreement and the Brand Licence Agreement, no agreement, definitive proposals, terms or timetable had been reached or determined for any such possible future transaction or arrangement.

Haier Electronics has also confirmed that, save as disclosed in the section headed “Board composition of Ozner” above and other than in the ordinary course of business, Haier Electronics has no current intention to discontinue the employment of the employees of the Ozner Group.

USE OF PROCEEDS

The gross proceeds from the Subscription will amount to approximately HK\$1.65 billion. The net proceeds to be raised from the Subscription will be approximately HK\$1.62 billion. The net subscription price per Subscription Share will be approximately HK\$1.01.

Ozner intends that the net proceeds of the Subscription will be used as follows:

- (a) approximately 60% will be used for repayment of debt with interest rates ranging from approximately 9.4% to 17.0% per annum which will become due before the end of 2020; and
- (b) approximately 40% will be used for general working capital, of which it is intended that approximately 25% of the net proceeds of the Subscription will be used for manufacturing and maintenance of water machines, approximately 5% of the net proceeds of the Subscription will be used for sales and marketing and approximately 10% of the net proceeds of the Subscription will be used for other general working capital.

It is also expected that the Subscription will enhance the general working capital of the Ozner Group without incurring additional interest burden.

APPOINTMENT OF THE SUBSCRIBER DIRECTORS

Details of the Subscriber Directors nominated by Haier Electronics are set out below.

Mr. Xie Ju Zhi (解居志) as Chairman and non-executive Ozner Director

Mr. XIE Ju Zhi, aged 53, is currently the Vice President of Haier Corp and the chief executive officer and executive director of Haier Electronics.

Mr. Xie graduated from Shandong University of Finance and Economics in July 1989 with a bachelor’s degree and joined Haier Group in the same year. Mr. Xie served as head of electrothermal division of Haier Group, East China marketing director, and corporate general manager of customer services of Haier Group. Mr. Xie’s involvement in Haier Group involves three different types of functions, including product management, marketing services and market development and he has experience in whole-process product management, product-wide services

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and product-wide marketing. Mr. Xie was awarded honorary titles including the Gold Award of Outstanding Contribution Award of China's Home Appliance Services Industry* (中國家電服務行業突出貢獻獎金獎) and Outstanding Entrepreneur of Shandong Province* (山東省優秀企業家).

After joining the Ozner Board, Mr. Xie will lead the Ozner Board, utilising his extensive experience and network in the household appliances, logistics and services industries, abundant corporate development strategies and management experience. Mr. Xie will help the management of Ozner to improve management and operation efficiency, better utilise the resources of the Haier Group, as well as to integrate with the corporate culture of the Haier Group which focuses on excellent execution, innovation and entrepreneurship, so as to create greater value for the Ozner Shareholders.

Save as disclosed above, Mr. Xie has not held any other directorships in the past three years in listed public companies in Hong Kong or overseas, nor did he have any other major appointments or professional qualifications. Save as disclosed above, there is no other matter in respect of the appointment of Mr. Xie that would need to be brought to the attention of the Stock Exchange and the Ozner Shareholders, and there is no other information relating to the appointment of Mr. Xie that would need to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. HUANG Xiao Wu (黃曉武) as non-executive Ozner Director

Mr. HUANG Xiao Wu, aged 42, graduated from the University of Hong Kong with a master's degree in business administration and from Chongqing University with a bachelor's degree in engineering. Mr. Huang joined Haier Electronics in 2009 and is currently the deputy general manager of Haier Electronics. He is currently responsible for assisting the chief executive officer of Haier Electronics in implementing development strategies of Haier Electronics and managing strategic investments and investor relations. Mr. Huang has nearly 20 years of extensive management experience in the banking, investments and corporate finance sectors. Before joining Haier Electronics, Mr. Huang worked at a commercial bank and several investment banks.

After joining the Ozner Board, Mr. Huang will assist Ozner to promote long-term growth for Ozner by formulating comprehensive business development strategies, considering different opportunities, including expanding product lines, increasing customer base and sales channels through organic development or strategic mergers and acquisitions, and disposing non-core assets. Mr. Huang will also assist Ozner in attracting long-term support from investors by establishing a more transparent and timely investor communications system and strengthening all aspects of corporate governance.

Mr. Huang has not held any other directorships in the past three years in listed public companies in Hong Kong or overseas, nor did he have any other major appointments or professional qualifications. Save as disclosed above, there is no other matter in respect of the appointment of Mr. Huang that would need to be brought to the attention of the Stock Exchange and the Ozner Shareholders, and there is no other information relating to the appointment of Mr. Huang that would need to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

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Mr. QU Gui Nan (曲桂楠) as executive Ozner Director

Mr. QU Gui Nan, aged 47, graduated from Tianjin University in 1998 with a bachelor's degree in precision instrumentation and graduated from the University of International Business and Economics in 2010 with a master's degree in business administration. Mr. Qu joined Haier Electronics in 1998 and is currently the general manager of commercial water purification division of Haier Electronics.

Mr. Qu has served in the position of general manager of Haier Group regional branch, general manager and marketing director of Haier life appliances division. He has held various important positions in water purification division of Haier Corp since 2010 and has experience in product and marketing management. Mr. Qu has served as a member of the National Standardization Committee's Domestic Water Treatment Sub-Committee* (中國標準化委員會家用水處理分委會委員) and the executive president of the Household Water Treatment Equipment Professional Committee of the Shandong Household Electrical Appliances Industry Association* (山東省家用電器行業協會家用水處理設備專業委員會). He was awarded the China Water Purification Industry Outstanding Contribution Award* (中國淨水行業傑出貢獻獎) in December 2017.

After joining the Ozner Board, Mr. Qu will focus on promoting the development of the water purification business of Ozner and achieving synergies between Ozner and the Haier Group in various aspects including products, sales, services, logistics, productions, technologies, research and development. In addition, Mr. Qu will also lead the efforts of promoting the sales and marketing of the "Haier" branded products in the sales channels of Ozner.

Mr. Qu has not held any other directorships in the past three years in listed public companies in Hong Kong or overseas, nor did he have any other major appointments or professional qualifications. Save as disclosed above, there is no other matter in respect of the appointment of Mr. Qu that would need to be brought to the attention of the Stock Exchange and the Ozner Shareholders, and there is no other information relating to the appointment of Mr. Qu that would need to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. ZHANG Zhongming (張忠明) as non-executive Ozner Director

Mr. ZHANG Zhongming, aged 56, graduated from Fudan University in 1990 with a master's degree in solid mechanics.

Mr. Zhang has extensive management experience in water treatment related industries. Currently, he is a consultant of Atlas Filtri Far East Co., Ltd.* (雅德拉斯過濾設備遠東有限公司) and a consultant of Shanghai Yarn-home Filter Equipment Co., Ltd.* (上海亞弘過濾器材有限公司).

Mr. Zhang was the general manager of the US Bluepure (Shanghai) Filter Equipment Co., Ltd.* (美藍飄爾(上海)過濾設備有限公司) from 2016 to 2018. He served as the general manager of Pentair PLC (蘇州濱特爾水處理有限公司) from July 2014 to December 2015, the Asia Pacific general manager of NSF International from June 2012 to June 2014, and the general manager of

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NRF Shanghai Certification Company* (上海禾邦認證有限公司) from July 2010 to May 2014. In addition, he served as the general manager of ECOWATER Systems LLC* (昆山怡口淨水系統有限公司) and the head of operations for the Asia Pacific region of GE Water Treatment Group* (通用電氣水處理集團).

After joining the Ozner Board, Mr. Zhang will support Ozner with his extensive experience in water purification technologies and cross-border management and assist Ozner on product development and strategic development in the water purification industry.

Mr. Zhang has not held any other directorships in the past three years in listed public companies in Hong Kong or overseas, nor did he have any other major appointments or professional qualifications. Save as disclosed above, there is no other matter in respect of the appointment of Mr. Zhang that would need to be brought to the attention of the Stock Exchange and the Ozner Shareholders, and there is no other information relating to the appointment of Mr. Zhang that would need to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. ZHENG Jian Ping (鄭堅平) as non-executive Ozner Director

Mr. ZHENG Jian Ping, aged 56, graduated from Shanghai Jiaotong University with a bachelor's degree in computer science in July 1985 and graduated from Shanghai Jiaotong University with a master's degree in computer science in January 1998.

Mr. Zheng has extensive experiences in areas including finance, cross-border mergers and acquisitions, corporate governance and strategic development. Since October 2015, Mr. Zheng has served as a director, executive vice president, managing director and president of the investment banking division of Huizhi International Capital Holdings Co., Ltd.. From August 1994 to May 2002, Mr. Zheng served as an executive in the investment banking department of N M Rothschild & Son's offices in London, Singapore, Beijing and Hong Kong and as a board director of N M Rothschild (China) Limited and a board director in N M Rothschild & Sons (Hong Kong) Limited. From June 2002 to August 2003, he served as an executive director of the ICEA Capital Limited* (工商東亞有限公司). From September 2004 to September 2008, he served as an executive director, managing director and head of Asia Pacific resources and energy sector of the Investment Banking division of The Hongkong and Shanghai Banking Corporation. From October 2008 to April 2011, Mr. Zheng served as a partner, senior managing director and head of advisory business in China at The Blackstone Group. From July 2011 to April 2015, he served as a managing director of Citigroup Investment Banking and head of mergers and acquisitions in China.

After joining the Ozner Board of Directors, Mr. Zheng will support the Ozner Board with his extensive experience in finance, cross-border merger and acquisitions, corporate governance and strategic developments in optimizing the capital structure of Ozner as well as strengthening all aspects of corporate governance and seeking quality strategic investment opportunities to improve returns on capital.

LETTER FROM THE OZNER BOARD

Mr. Zheng has not held any other directorships in the past three years in listed public companies in Hong Kong or overseas, nor did he have any other major appointments or professional qualifications. Save as disclosed above, there is no other matter in respect of the appointment of Mr. Zheng that would need to be brought to the attention of the Stock Exchange and the Ozner Shareholders, and there is no other information relating to the appointment of Mr. Zheng that would need to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

INFORMATION ON THE OZNER GROUP

Ozner is incorporated in the Cayman Islands as a company with limited liability, and the issued Ozner Shares are listed on the Stock Exchange. The principal activity of Ozner is investment holding. The Ozner Group is principally engaged in the provision of water purification services and air sanitization services.

On 1 September 2019, Ozner published an announcement in relation to (among other things) the establishment of and capital investment into the Fund and the sale of a 7.12% equity interest in Shaanxi Haoze to the Fund. As at the Latest Practicable Date, the establishment of the Fund had been completed but the sale of the equity interest in Shaanxi Haoze to the Fund had not been completed.

Ozner, through its unique “lease + service” business model and positioning as a “round-the-clock safe drinking water solution provider” (全天候安全飲用水服務解決方案提供商), has established a leading position in the commercial water purification market. According to the Frost & Sullivan Report, the market size of Ozner based on retail sales value was approximately 9.0% in 2018, higher than the combined market size for the 2nd through the 5th runners-up. Ozner has developed an extensive and effective distribution network of more than 7,300 distributors as at 30 June 2019 and its proprietary service network, a key competitive advantage, covers more than 2,300 cities and counties in all provinces of Mainland China as at 30 June 2019. Ozner has been committed to bringing high quality products and services to end users through state-of-the-art purification and Internet of Things technologies. Its water purification manufacturing facility is also one of the largest in China.

LETTER FROM THE OZNER BOARD

As at 31 December 2018, the consolidated audited net asset value of the Ozner Group was RMB3,310,806,000. The consolidated audited net profits before tax and after tax of the Ozner Group for the two years ended 31 December 2018 are set forth below:

	For the year ended 31 December 2017 (RMB'000)	For the year ended 31 December 2018 (RMB'000)
Net profits before tax	286,088	196,016
Net profits after tax	240,880	134,270

INFORMATION ON HAIER ELECTRONICS

Haier Corp is the ultimate holding company of Haier Electronics and Haier Electronics' shares are listed on the Stock Exchange. Haier Electronics and its subsidiaries are principally engaged in the research, development, manufacture and wholesale of washing machines and water heaters under Haier Corp brands (“**Haier**”, “**Casarte**” and “**Leader**”), and the distribution of home appliance products of Haier Corp in the PRC.

Haier Corp is an urban collectively-owned enterprise. According to the “Regulation of the People’s Republic of China on Urban Collectively-Owned Enterprises” as amended in February 2016 by the State Council, all the property of an urban collectively-owned enterprise belongs to its working people as a collective, and the body of the employee representatives is its governing body.

Haier Corp is one of the most well-known companies in China and one of the world’s leading consumer appliance companies. According to data published by Euromonitor International in January 2019, Haier Electronics has once again been named as the number one major appliances brand in the world. The Haier brand has also topped the global white goods brand rankings for the tenth consecutive year.

In 2019, Haier Electronics completed the acquisition of a 51% equity interest in Qingdao Haishi, a prominent participant in the PRC residential water purification market. This acquisition was the first step for Haier Electronics in its proposed development into a global market leader in the water purification industry. Qingdao Haishi is principally engaged in the research and development and sale of household water purifying products under the “Haier” brand. Through the nationwide network of Haier Electronics, Qingdao Haishi sells its products and solutions to customers throughout the PRC. The majority of sales of Qingdao Haishi are currently generated from its household products and services, with less than 3% of its sales generated from customers in the commercial sector (which may also be target customers of Ozner) in the six months ended 30 June 2019. The revenue of Qingdao Haishi generated from the commercial water purification business in 2018 and the first half of 2019 was equivalent to not more than 1% and 2% of the total revenue of the Ozner Group in the same period, respectively. In the first half of 2019, Qingdao Haishi was ranked third in terms of market share based on its sales of household water purification

LETTER FROM THE OZNER BOARD

products. It is believed that the Transaction will bring in complementary benefits to both Qingdao Haishi and Ozner, and strong synergies between the two businesses may be achieved to further enlarge the offering of Haier Electronics' water purification business.

EQUITY FUND RAISING ACTIVITY OF OZNER IN THE PAST 12 MONTHS

Save for the issue of the 2018 CB, Ozner did not carry out any equity fund-raising activities during the 12 months immediately preceding the date of the Joint Announcement.

LETTER FROM THE OZNER BOARD

EFFECT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF OZNER

The shareholding structure of Ozner as at the Latest Practicable Date and immediately after Closing (assuming that there is no change in the issued share capital of Ozner other than the allotment and issue of the Subscription Shares before Closing) is as follows:

Ozner Shareholders	As at		Immediately after Closing	
	the Latest Practicable Date			
	<i>Number of</i>	<i>Approx. %⁽⁶⁾</i>	<i>Number of</i>	<i>Approx. %⁽⁶⁾</i>
	<i>Ozner Shares</i>		<i>Ozner Shares</i>	
Subscriber Concert Group				
The Subscriber	—	—	1,599,248,963	42.86
SAIF Partners IV L.P. ⁽¹⁾⁽⁷⁾	334,857,000	15.70	334,857,000	8.97
Mr. Xiao and related parties ⁽²⁾				
Mr. Xiao ⁽³⁾	4,198,000	0.20	4,198,000	0.11
Baida Holdings Limited ⁽³⁾	341,820,000	16.03	341,820,000	9.16
Lion Rise Holdings Limited ⁽³⁾	62,182,200	2.92	62,182,200	1.67
Glorious Shine Holdings Limited ⁽³⁾	382,847,950	17.95	382,847,950	10.26
Subtotal	<u>791,048,150</u>	<u>37.10</u>	<u>791,048,150</u>	<u>21.20</u>
Subtotal	<u>1,125,905,150</u>	<u>52.80</u>	<u>2,725,154,113</u>	<u>73.03</u>
Ozner Directors				
(other than Mr. Xiao)				
LI Honggao	420,096	0.02	420,096	0.01
TAN Jibin	385,900	0.02	385,900	0.01
WANG Yonghui	416,472	0.02	416,472	0.01
ZHOU Guanxuan	38,388	0.00	38,388	0.00
Other Ozner Shareholders⁽⁷⁾				
China Innovative Capital Management Co., Ltd ⁽⁴⁾	271,662,200	12.74	271,662,200	7.28
Ares FW Holdings, L.P.	187,166,800	8.78	187,166,800	5.02
Watercube Holdings, L.L.C. ⁽⁵⁾	139,006,800	6.52	139,006,800	3.73
Others	<u>407,330,144</u>	<u>19.10</u>	<u>407,330,144</u>	<u>10.92</u>
Total	<u><u>2,132,331,950</u></u>	<u><u>100.00</u></u>	<u><u>3,731,580,913</u></u>	<u><u>100.00</u></u>

LETTER FROM THE OZNER BOARD

Notes:

- (1) SAIF Partners IV L.P. is presumed to be acting in concert with the Subscriber under classes (1) and (2) of the definition of “acting in concert” in the Takeovers Code by virtue of the fact that Mr. Andrew Y. Yan, a non-executive director of Haier Electronics’ controlling shareholder, Haier Smart Home Co., Ltd, indirectly controls SAIF Partners IV L.P. and controls 天津賽富盛元投資管理中心(有限合夥) (Tianjin SAIF Shengyuan Investment Management Center L.P.*), which is an associated company (as defined in the Takeovers Code) of Haier Electronics.
- (2) Following Closing, the Subscriber will be presumed to be acting in concert with Mr. Xiao under class (1) of the definition of “acting in concert” in the Takeovers Code by virtue of each of them holding 20% or more of the issued share capital of Ozner.
- (3) Baida Holdings Limited, Lion Rise Holdings Limited and Glorious Shine Holdings Limited are wholly-owned by Baida Capital Limited, Lion Rise Capital Limited and Glorious Shine Capital Limited under the Xiao Family I Trust, the Xiao Family II Trust and the Xiao Family III Trust, respectively. Each of the Xiao Family I Trust, the Xiao Family II Trust and the Xiao Family III Trust is a discretionary trust established by Mr. Xiao (as the settlor) and the discretionary beneficiaries of which include Mr. Xiao and certain of his family members.
- (4) These 271,662,200 Ozner Shares represent 82,806,000 Ozner Shares held by Chongqing Innovative Investment Co., Ltd and 188,856,200 Ozner Shares held by Hong Kong China Innovative Capital Management Co., Ltd. Chongqing Innovative Investment Co., Ltd and Hong Kong China Innovative Capital Management Co., Ltd. are wholly-owned subsidiaries of China Innovative Capital Management Co., Ltd. In addition, Chongqing Innovative Investment Co., Ltd is the general partner of Chongqing Zhongxinrongbang Investment Centre (Limited Partnership). Chongqing Zhongxinrongbang Investment Centre (Limited Partnership) is interested in the 2015 CB which can be converted to a maximum number of 247,329,788 Ozner Shares to be issued by Ozner.
- (5) Watercube Holdings, L.L.C. is a limited liability company organized under the laws of Delaware. GS Direct, L.L.C., a limited liability company organized under the laws of Delaware, is the managing member of Watercube Holdings L.L.C. and owns 80.1% of the voting interest in Watercube Holdings L.L.C.. Goldman, Sachs & Co., a limited partnership organized under the laws of New York, is the managing member of GS Direct, L.L.C. The Goldman, Sachs & Co. L.L.C., a limited liability company organized under the laws of Delaware, is the general partner of Goldman, Sachs & Co. The Goldman Sachs Group, Inc., a corporation organized under the laws of Delaware, holds (i) 100% voting interests of The Goldman, Sachs & Co. L.L.C.; (ii) 99.8% voting interests of Goldman, Sachs & Co.; and (iii) 100% non-voting interests of GS Direct, L.L.C. The Goldman Sachs Group, Inc. is listed on the New York Stock Exchange. Accordingly, each of GS Direct, L.L.C., Goldman, Sachs & Co., The Goldman, Sachs & Co. L.L.C. and The Goldman Sachs Group, Inc. is deemed to be interested in the 139,006,800 Ozner Shares held by Watercube Holdings, L.L.C..
- (6) The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in totals may not be an arithmetic aggregation of the figures preceding them.
- (7) So far as Ozner is aware, following Closing each of SAIF Partners IV L.P. and the other Ozner Shareholders will be considered members of the public for purposes of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, the Subscriber was not interested in any Ozner Shares and the Subscriber Concert Group (comprising as at the Latest Practicable Date the Subscriber and SAIF Partners IV L.P.) was interested in 334,857,000 Ozner Shares, representing approximately 15.7% of the total issued share capital of Ozner. SAIF Partners IV L.P. is presumed to be acting in

LETTER FROM THE OZNER BOARD

concert with the Subscriber under classes (1) and (2) of the definition of “acting in concert” in the Takeovers Code by virtue of the fact that Mr. Andrew Y. Yan, a non-executive director of Haier Electronics’ controlling shareholder, Haier Smart Home Co., Ltd, indirectly controls SAIF Partners IV L.P. and controls 天津賽富盛元投資管理中心(有限合夥) (Tianjin SAIF Shengyuan Investment Management Center L.P.*), which is an associated company (as defined in the Takeovers Code) of Haier Electronics.

Immediately after Closing, the Subscriber and the Subscriber Concert Group (comprising at that time the Subscriber, SAIF Partners IV L.P. and Mr. Xiao and his related parties) will be interested in 1,599,248,963 Ozner Shares and 2,725,154,113 Ozner Shares, respectively, representing approximately 42.9% and 73.0% respectively of the issued share capital of Ozner as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of Ozner other than the allotment and issue of the Subscription Shares before Closing). Following Closing, the Subscriber will be presumed to be acting in concert with Mr. Xiao under class (1) of the definition of “acting in concert” in the Takeovers Code by virtue of each of them holding 20% or more of the issued share capital of Ozner.

Under Rule 26.1 of the Takeovers Code, the acquisition of 30% or more of the voting rights in Ozner by the Subscriber (or the Subscriber Concert Group) would trigger an obligation on the Subscriber (or the Subscriber Concert Group) to make a mandatory general offer for all the issued Ozner Shares and other securities of Ozner (other than those already owned or agreed to be acquired by the Subscriber Concert Group), unless the Whitewash Waiver is granted by the Executive. An application was made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% of the votes cast by Ozner Independent Shareholders at the Ozner EGM by way of poll.

If the Whitewash Waiver is approved by the Ozner Independent Shareholders and Closing occurs, the Subscriber will hold between 30% and 50% of the voting rights in Ozner and the Subscriber Concert Group will hold more than 50% of the voting rights in Ozner. Accordingly:

- (a) the Subscriber Concert Group may increase its collective shareholding in Ozner without incurring any further obligation under Rule 26 of the Takeovers Code to make a mandatory general offer for all the issued Ozner Shares and to make an appropriate offer under Rule 13 of the Takeovers Code for the other securities of Ozner (in each case other than those already owned or agreed to be acquired by the Subscriber Concert Group); but
- (b) the Subscriber may be subject to the 2% “creeper rule” under Rule 26.1(c) of, and Note 6 to Rule 26.1, the Takeovers Code. Accordingly if the Subscriber acquires additional voting rights and such acquisition has the effect of increasing its holding of voting rights in Ozner by more than 2% from the lowest collective percentage holding of the Subscriber in the 12-month period ending on and inclusive of the date of the relevant acquisition, the Subscriber may trigger an obligation to make a mandatory general offer for all the issued Ozner Shares and other securities of Ozner (other than those already owned or agreed to be acquired by the Subscriber Concert Group).

LETTER FROM THE OZNER BOARD

As at the Latest Practicable Date, neither Ozner nor Haier Electronics believed that the Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, Ozner and Haier Electronics will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. Ozner and Haier Electronics note that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

The Executive may or may not grant the Whitewash Waiver and, if granted, the Whitewash Waiver will be subject to approval by at least 75% of the votes cast by Ozner Independent Shareholders (either in person or by proxy) at the Ozner EGM. In the event that the Whitewash Waiver is not granted or not approved by at least 75% of the votes cast by Ozner Independent Shareholders at the Ozner EGM, Haier Electronics may, in its sole discretion and if it is ready to make the Possible Offer, elect to waive the relevant Conditions and proceed with the Subscription in the absence of the Whitewash Waiver. In that case, the Subscriber will make the Possible Offer in compliance with the Takeovers Code. Relevant announcement(s) will be made by Ozner and Haier Electronics in compliance with the Listing Rules and the Takeovers Code as and when appropriate.

Special Deal

As each Ozner Shareholder holding 5% or more of Ozner's issued share capital immediately following Closing (except for the Subscriber) shall be entitled to nominate a person as a member of the Strategic Committee, the Strategic Committee Establishment is considered by the Executive to be a special deal under Rule 25 of the Takeovers Code.

An application has been made to the Executive for consent for the Strategic Committee Establishment under Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to (i) an opinion being given by the Independent Financial Adviser appointed by the Ozner Board that the terms of the Strategic Committee Establishment are fair and reasonable and (ii) approval of the Strategic Committee Establishment by the Ozner Independent Shareholders at the Ozner EGM. In the event that the Executive does not consent to the Strategic Committee Establishment, the Independent Financial Adviser opines that the terms of the Strategic Committee Establishment are not fair and reasonable, or the Strategic Committee Establishment is not approved by the Ozner Independent Shareholders at the Ozner EGM, and assuming that all the Conditions are satisfied or waived (as applicable), Ozner and Haier Electronics will proceed with the Subscription in the absence of the Strategic Committee Establishment.

LETTER FROM THE OZNER BOARD

OZNER INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Takeovers Code, the Ozner Independent Board Committee comprising Mr. LAU Tze Cheung Stanley, Dr. BAO Jiming, Dr. CHAN Yuk Sing Gilbert and Mr. GU Jiuchuan, being all the independent non-executive Ozner Directors, has been established to advise the Ozner Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment.

SAIF Partners IV L.P. is presumed to be acting in concert with the Subscriber under classes (1) and (2) of the definition of “acting in concert” in the Takeovers Code. Further, each of China Innovative Capital Management Co., Ltd and Ares FW Holdings, L.P. is considered by the Executive to be interested in the Subscription, the Whitewash Waiver and the Strategic Committee Establishment for the purpose of the Takeovers Code, as each of them will hold 5% or more of Ozner’s issued share capital immediately following Closing (assuming there are no changes to their shareholdings prior to Closing) and will therefore be entitled to nominate persons as members of the Strategic Committee. Accordingly, the non-executive Ozner Directors who are associated with SAIF Partners IV L.P., China Innovative Capital Management Co., Ltd and Ares FW Holdings, L.P. respectively, namely Mr. WANG Duo, Ms. GUI Songlei and Ms. SUI Wei, are not members of the Ozner Independent Board Committee.

Somerley Capital Limited has been appointed, with the approval of the Ozner Independent Board Committee, as the Independent Financial Adviser to advise the Ozner Independent Board Committee and the Ozner Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment.

OZNER EGM

A notice convening the Ozner EGM to be held at Unit 502–503a, Level 5, Core C, Cyberport 3, 100 Cyberport Road, Pok Fu Lam, Hong Kong on Tuesday, 7 January 2020 at 9:00 a.m. is set out on pages 104 to 107 of this circular. A form of proxy for use at the Ozner EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and Ozner (www.ozner.net). Whether or not you are able to attend the Ozner EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of Ozner in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Ozner EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Ozner Shareholders from attending and voting at the Ozner EGM.

The Ozner EGM will be held to consider and, if thought fit, pass resolutions to approve, among other things: (i) the Subscription; (ii) the Specific Mandate for the allotment and issue of the Subscription Shares; (iii) the Whitewash Waiver; (iv) the Strategic Committee Establishment; and (v) the appointment of the Subscriber Directors. The resolutions in relation to the Subscription, the

LETTER FROM THE OZNER BOARD

Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment will be proposed to the Ozner Independent Shareholders and be voted on by way of poll in accordance with the Takeovers Code. Separate resolutions in relation to the Subscription and the Specific Mandate, as well as in relation to the appointment of the Subscriber Directors, will be proposed to such Ozner Shareholders as are permitted to vote under the Listing Rules or by the Stock Exchange and be voted on by way of poll in accordance with the Listing Rules.

As at the Latest Practicable Date, save as follows, no Ozner Shareholder had a material interest in or was otherwise interested in or involved in the Subscription, the Specific Mandate, the Whitewash Waiver, the Strategic Committee Establishment or the appointment of the Subscriber Directors and therefore no Ozner Shareholder is required to abstain from voting on resolutions in relation to these matters at the Ozner EGM.

Each of SAIF Partners IV L.P. (which is presumed to be acting in concert with the Subscriber under classes (1) and (2) of the definition of “acting in concert” in the Takeovers Code), China Innovative Capital Management Co., Ltd and Ares FW Holdings, L.P. is considered by the Executive to be interested in the Subscription, the Whitewash Waiver and the Strategic Committee Establishment for the purpose of the Takeovers Code, as each of them will hold 5% or more of Ozner’s issued share capital immediately following Closing (assuming there are no changes to their shareholdings prior to Closing) and will therefore be entitled to nominate persons as members of the Strategic Committee. Therefore, each of SAIF Partners IV L.P., China Innovative Capital Management Co., Ltd and Ares FW Holdings, L.P. will abstain from voting on the relevant resolutions to be proposed to the Ozner Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment in accordance with the Takeovers Code.

Further, since Mr. Xiao, Mr. Tan Jibin, Mr. Li Honggao, and Mr. Wang Yonghui (each of whom is an executive Ozner Director and an Ozner Shareholder) have been involved in the discussions and negotiations with Haier Electronics in relation to the Subscription on behalf of Ozner, they are considered by the Executive to be involved in the Subscription for purposes of the Takeovers Code. Therefore, each of Mr. Xiao and his related parties (namely, Baida Holdings Limited, Lion Rise Holdings Limited and Glorious Shine Holdings Limited), Mr. Wang Yonghui, Mr. Tan Jibin and Mr. Li Honggao will abstain from voting on the relevant resolutions to be proposed to the Ozner Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment in accordance with the Takeovers Code.

Watercube Holdings L.L.C. does not propose to vote on the resolutions to be proposed to the Ozner Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment in accordance with the Takeovers Code given that it is in the same group of companies as Goldman Sachs (Asia) L.L.C. (the financial adviser to Ozner in connection with the Subscription).

An announcement on the results of the Ozner EGM will be made by Ozner following the Ozner EGM in accordance with the Listing Rules and the Takeovers Code.

LETTER FROM THE OZNER BOARD

The Subscription is subject to the fulfilment and/or waiver (as applicable) of the Conditions, including approval of the Subscription, the Specific Mandate and the Whitewash Waiver by the Ozner Shareholders (or the Ozner Independent Shareholders, as applicable) at the Ozner EGM and the granting of the Whitewash Waiver by the Executive. As such, the Subscription may or may not proceed to Closing. Ozner Shareholders and potential investors are advised to exercise caution when dealing in the Haier Electronics Shares and Ozner Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

RECOMMENDATIONS

Taking into consideration the potential benefits of the Transaction, the Ozner Directors (including the members of the Ozner Independent Board Committee after taking into account the advice of the Independent Financial Adviser as to fairness and reasonableness of the terms of the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment) consider that the terms of the Subscription Agreement are fair and reasonable, and entering into the Transaction and appointing the Subscriber Directors would be in the interests of Ozner and the Ozner Shareholders as a whole.

Your attention is drawn to (i) the letter of advice from the Ozner Independent Board Committee to the Ozner Independent Shareholders on the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment; and (ii) the letter of advice from the Independent Financial Adviser to the Ozner Independent Board Committee and the Ozner Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment. The Ozner Independent Board Committee, after considering the advice of the Independent Financial Adviser, considers that the terms of the Subscription Agreement (including the Subscription pursuant to the Specific Mandate and the Strategic Committee Establishment) are fair and reasonable so far as the Ozner Independent Shareholders are concerned, have been entered into on normal commercial terms and are in the interests of Ozner and the Ozner Shareholders as a whole, and the Whitewash Waiver is fair and reasonable and in the interests of Ozner and the Ozner Shareholders as a whole. Accordingly, the Ozner Independent Board Committee recommends that the Ozner Independent Shareholders vote in favour of the resolutions relating to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment at the Ozner EGM.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular and the notice of the Ozner EGM.

Yours faithfully
By order of the Ozner Board
Ozner Water International Holding Limited
XIAO Shu
Chairman and Chief Executive Officer

LETTER FROM THE OZNER INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of advice from the Ozner Independent Board Committee setting out its recommendation to the Ozner Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment.

OZNER 浩澤

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)

13 December 2019

To the Ozner Independent Shareholders

Dear Sir or Madam

**(1) SUBSCRIPTION FOR NEW OZNER SHARES;
AND
(2) APPLICATION FOR WHITEWASH WAIVER AND
CONSENT FOR SPECIAL DEAL**

We refer to the circular dated 13 December 2019 of Ozner (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings in this letter unless the context otherwise requires.

Pursuant to the Takeovers Code, we have been appointed to form the Ozner Independent Board Committee to consider the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment (collectively, the “**Proposed Transactions**”), to advise the Ozner Independent Shareholders as to whether, in our opinion, the Proposed Transactions are fair and reasonable so far as the Ozner Independent Shareholders are concerned, and to recommend how the Ozner Independent Shareholders should vote regarding the relevant proposed resolutions at the Ozner EGM.

Somerley Capital Limited has been appointed as the independent financial adviser to advise the Ozner Independent Board Committee and the Ozner Independent Shareholders in respect of the Proposed Transactions.

We wish to draw your attention to the letter from the Ozner Board set out on pages 8 to 37 of the Circular which contains, among other things, information on the Proposed Transactions as well as the letter from the Independent Financial Adviser set out on pages 40 to 85 of the Circular which contains its advice in respect of the Proposed Transactions.

LETTER FROM THE OZNER INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription Agreement and the Whitewash Waiver, the advice of the Independent Financial Adviser as set out in the letter from the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we consider that the terms of the Subscription Agreement (including the Subscription pursuant to the Specific Mandate and the Strategic Committee Establishment) are fair and reasonable so far as the Independent Shareholders are concerned, and have been entered into on normal commercial terms, and are in the interests of Ozner and the Ozner Shareholders as a whole, and the Whitewash Waiver is fair and reasonable and in the interests of Ozner and the Ozner Shareholders as a whole.

Accordingly, we recommend the Ozner Independent Shareholders to vote in favour of the resolutions relating to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment at the Ozner EGM.

Yours faithfully,

For and on behalf of

the Ozner Independent Board Committee

Ozner Water International Holding Limited

Mr. LAU Tze Cheung

Stanley

Independent

non-executive

Ozner Director

Dr. BAO

Jiming

Independent

non-executive

Ozner Director

Mr. GU

Jiuchuan

Independent

non-executive

Ozner Director

Dr. CHAN Yuk Sing

Gilbert

Independent

non-executive

Ozner Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Ozner Independent Board Committee and the Ozner Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

13 December 2019

*To: the Ozner Independent Board Committee and
the Ozner Independent Shareholders*

Dear Sirs,

**(1) SUBSCRIPTION FOR NEW OZNER SHARES
AND
(2) APPLICATION FOR
WHITEWASH WAIVER AND CONSENT FOR SPECIAL DEAL**

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Ozner Independent Board Committee and the Ozner Independent Shareholders in connection with the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment, details of which are set out in the letter from the Ozner Board to the Ozner Shareholders dated 13 December 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

After the close of markets on 1 November 2019, Ozner entered into the Subscription Agreement with Haier Electronics in relation to the subscription of 1,599,248,963 new Ozner Shares at the Subscription Price of HK\$1.03 per Subscription Share. The Subscription Shares represent (i) approximately 75.0% of the issued Ozner Shares as at the Latest Practicable Date, and (ii) approximately 42.9% of the issued Ozner Shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no change in the issued Ozner Shares before Closing). The Subscription Shares will be allotted and issued under the Specific Mandate to be granted by the Ozner Shareholders at the Ozner EGM.

As at the Latest Practicable Date, the Subscriber was not interested in any Ozner Shares and the Subscriber Concert Group (comprising the Subscriber and SAIF Partners IV L.P. (“**SAIF Partners**”)) was interested in approximately 15.7% of the issued Ozner Shares. Immediately after Closing, the Subscriber and the Subscriber Concert Group (comprising at that time the Subscriber, SAIF Partners and Mr. Xiao and his related parties (namely Baida Holdings Limited, Lion Rise

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Holdings Limited and Glorious Shine Holdings Limited, collectively “**Mr. Xiao’s Related Entities**”) will be interested in approximately 42.9% and 73.0% respectively of the issued Ozner Shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no change in the issued Ozner Shares before Closing). Pursuant to Rule 26.1 of the Takeovers Code, the Subscription would trigger an obligation on the Subscriber (or the Subscriber Concert Group) to make the mandatory general offers for all the issued Ozner Shares and other securities of Ozner (other than those already owned or agreed to be acquired by the Subscriber Concert Group), unless the Whitewash Waiver is granted by the Executive and approved by the Ozner Independent Shareholders. In this regard, an application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

Each Ozner Shareholder holding 5% or more of Ozner’s issued share capital immediately following Closing (including Mr. Xiao, SAIF Partners, China Innovative Capital Management Co., Ltd (“**CICM**”) and Ares FW Holdings, L.P. (“**Ares**”) based on the shareholding as at the Latest Practicable Date, except for the Subscriber) shall be entitled to nominate one person as a member of the Strategic Committee (as defined under the sub-section headed “Principal terms of the Subscription Agreement — strategic committee”). Consequently, the Strategic Committee Establishment is considered by the Executive to be a special deal under Rule 25 of the Takeovers Code. An application has been made to the Executive for consent for the Strategic Committee Establishment under Rule 25 of the Takeovers Code. The consent for each of the Whitewash Waiver and the Strategic Committee Establishment, if granted by the Executive, would be subject to, among other things, the approval of the Ozner Independent Shareholders at the Ozner EGM by way of poll.

The Ozner Independent Board Committee comprising Mr. LAU Tze Cheung Stanley, Dr. BAO Jiming, Dr. CHAN Yuk Sing Gilbert and Mr. GU Jiuchuan, being all the independent non-executive Ozner Directors, has been established to advise the Ozner Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment. SAIF Partners is presumed to be acting in concert with the Subscriber, while each of CICM and Ares is considered by the Executive to be interested in the Subscription, the Whitewash Waiver and the Strategic Committee Establishment for the purpose of the Takeovers Code. Accordingly, the non-executive Ozner Directors who are associated with SAIF Partners, CICM and Ares respectively, namely Mr. WANG Duo, Ms. GUI Songlei and Ms. SUI Wei, are not members of the Ozner Independent Board Committee. With the approval of the Ozner Independent Board Committee, we have been appointed as the Independent Financial Adviser to advise the Ozner Independent Board Committee and the Ozner Independent Shareholders in this regard.

In the event that the Whitewash Waiver is not granted or not approved by at least 75% of the votes cast by Ozner Independent Shareholders at the Ozner EGM, Haier Electronics may, in its sole discretion and if it is ready to make the Possible Offer, elect to waive the relevant Conditions and proceed with the Subscription in the absence of the Whitewash Waiver. In that case, the Subscriber will make the Possible Offer in compliance with the Takeovers Code. Our opinion and recommendation as contained in this letter do not cover the Possible Offer, and the terms of the Possible Offer are not yet published. Should the Subscriber proceed with the Possible Offer, further

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announcements will be published by Ozner and Haier Electronics in accordance with the Listing Rules and the Takeovers Code, and there will be a separate independent opinion and recommendation on the Possible Offer, to be contained in the relevant response document in relation to the Possible Offer.

As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited, and (b) the Ozner Group, the Haier Electronics Group, and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. During the past two years, except for the fact that we have acted as the independent financial adviser to the independent board committee and the independent shareholders of Haier Electronics in relation to certain connected transactions, details of which were set out in the circular of Haier Electronics dated 31 May 2019, there was no engagement between (a) Somerley Capital Limited and (b) the Ozner Group, the Haier Electronics Group, and their respective subsidiaries and associates. The above engagement was limited to providing independent advisory service to the independent board committee and independent shareholders of Haier Electronics pursuant to the Listing Rules, for which we received normal professional fees. Accordingly, we do not consider the above engagement gives rise to any conflict of interest for us in acting as the Independent Financial Adviser in this case.

We are not associated or connected with the Ozner Group, the Haier Electronics Group, Mr. Xiao and Mr. Xiao's Related Entities, SAIF Partners, CICM, Ares or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advice to the Ozner Independent Board Committee and the Ozner Independent Shareholders on the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment. Apart from normal professional fees paid or payable to us in connection with this appointment, and except as disclosed above, no arrangement exists whereby we will receive any payment or benefits from the Ozner Group, the Haier Electronics Group, Mr. Xiao and Mr. Xiao's Related Entities, SAIF Partners, CICM, Ares or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Ozner Directors and the management of the Ozner Group, which we have assumed to be true, accurate and complete in all material respects at the time they were provided and will remain so up to the time of the Ozner EGM. We have reviewed the published information on Ozner, including its annual reports for the financial years ended 31 December 2017 (the **"2017 Annual Report"**) and 2018 (the **"2018 Annual Report"**) and interim report for the six months ended 30 June 2019 (the **"2019 Interim Report"**), and the information contained in the Circular. We have also reviewed the trading performance of the Ozner Shares on the Stock Exchange. We have sought and received confirmation from the Ozner Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We

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have, however, not conducted any independent investigation into the business and affairs of the Ozner Group, the Haier Electronics Group, Mr. Xiao and Mr. Xiao's Related Entities, SAIF Partners, CICM, Ares or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all information and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and as at the date of the Circular and will continue to be true up to the time of the Ozner EGM. Ozner Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such information and representations.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Background of the Ozner Group and recent developments

Background of the Ozner Group

The Ozner Group is principally engaged in the provision of water purification, air sanitization, supply chain and other services in the PRC. Below is a brief description of each of the business segments of the Ozner Group:

Water purification:	leasing and sale of water purifiers, training services to distributors and selling of water purification products
Air sanitization:	provision of air sanitization construction services and relevant consulting and training services and selling of air sanitization products
Supply chain:	sale of micro motor products
Others:	financing service in providing loans to distributors

As disclosed in the 2018 Annual Report and the 2019 Interim Report, revenue generated from water purification services segment represented approximately 69.9% and 65.2% of the Ozner Group's total revenue for 2018 and the first half of 2019 respectively. The Ozner Group possesses proprietary technology for its manufacturing of water purifiers, principally based on ozone and reverse osmosis technology, to purify water suitable for drinking. A majority of its water purification business has been conducted through a lease and service model to commercial customers, where the Ozner Group leases out its water purifiers and provides after-sales services, while retaining ownership of the water purifiers. Lease terms for water purification services with the users are typically one year, which can be renewed upon expiry. Users typically pay a relatively higher rent in the first year of lease, followed by a discounted rent for subsequent renewals. The vast service network built up by the Ozner Group (covering

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nearly 2,344 cities in the PRC as at 30 June 2019) enables the Ozner Group to provide quality after-sale services to users. According to the 2019 Interim Report, customer renewal rate under the lease and service model exceeded 95% for three consecutive years.

Customers of the Ozner Group are usually acquired through the Ozner Group's network of third party principal distributors and sub-distributors. The Ozner Group generates rental revenue of water purification services, in the form of annual leasing fees, from such principal distributors at rates fixed in the Ozner Group's pricing policies, and the distributors generate income through charging annual service fees to the end users at rates agreed between them. For the year 2018, the five largest customers accounted for approximately 25.2% of the total revenue of the Ozner Group.

As regards the air sanitization services segment, the Ozner Group disclosed in the 2018 Annual Report that it made a strategic arrangement of transferring such business to an associate, so as to focus on the business of water purification services. This led to a substantial decrease in revenue generated from the air sanitization services segment. Commencing from the 2019 Interim Report, the air sanitization business is no longer presented as a separate business segment.

Rapid expansion in recent years

Shares of Ozner were first listed on the Main Board of the Stock Exchange in June 2014, when it raised net proceeds of approximately HK\$1.2 billion (including those arising from the issue of over-allotment shares). Since listing, the Ozner Group has been expanding its businesses on various fronts. For instance, the Ozner Group's distribution network expanded quickly across the PRC in the recent years, from 2,432 distributors as at the end of 2014, the first financial year end subsequent to its listing, to over 7,300 distributors as at 30 June 2019. This in turn contributed to the substantial growth in the Ozner Group's production and installation of water purifiers. Installation of water purifiers at end users' premises increased from approximately 657,000 units as at the end of 2014 to approximately 2,135,000 units as at 30 June 2019.

At the time of listing, the Ozner Group had production facilities located in Shangyu City, Zhejiang Province, the PRC, with an annual production capacity of 170,000 water purifiers. To support the rapid increase in production volume, the Ozner Group constructed another production facility in Xianyang City, Shaanxi Province, the PRC, with an annual production capacity of 400,000 water purifiers, to replace its Zhejiang manufacturing facility.

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In addition to the rapid organic growth of the water purification business, the Ozner Group also sought to accelerate growth through strategic acquisitions. Notable acquisitions subsequent to listing are summarised below:

Announcement date	Target	Business of target	Approximate consideration	Status
May 2017	51% equity interest in Guangdong Bili Drinking Water Equipment Co., Ltd. (“ Guangdong Bili ”)	Provision of drinking water machines to educational institutions and the educational sector in the PRC	RMB173.9 million	Completed in 2017
June 2017	51% equity interest in Foshan Lepuda Motor Co., Ltd (“ Foshan Lepuda ”)	Research and development, manufacturing and sale of various types of micro motor products used in household appliances and industrial control equipment	RMB160.7 million	Completed in 2017
July 2017	51% shareholding interest in NEP Holdings (Malaysia) Berhad	Manufacturing and marketing of proprietary water purification systems, with network of distributors in Malaysia, Singapore and Hong Kong	296.8 million Malaysian Ringgit	Terminated in 2018

The acquisitions of Guangdong Bili and Foshan Lepuda in 2017 increased the Ozner Group’s revenue substantially. The two companies contributed a combined revenue (before elimination of transactions between group companies) of approximately RMB652.7 million to the Ozner Group in 2018.

As mentioned above, the Ozner Group has been providing significant support to its distributors who are tasked with sourcing end users for the leasing of the Ozner Group’s water purifiers. The Ozner Group’s commitment to enhance long-term business cooperation with high-performing distributors led to the Ozner Group currently extending a credit period of normally six months for high-performing distributors, up from a normally three-month period at the time of listing. To further enhance control on the distribution channels, which Ozner considers to be its core competency, Ozner formed joint ventures with 21 of its distributors in respect of the Ozner Group’s product distribution business, and took up approximately 9.1% interest in each joint venture, with an aggregate fair value of approximately RMB352.5 million as at 31 December 2018. In addition to extending credit period to, and investing in joint ventures with, high-performing distributors, the Ozner Group also extends loans to certain

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distributors. As at 31 December 2018, loans to distributors amounted to approximately RMB337.3 million. Distributors have been entitled to participate in the Ozner Group's restricted share unit scheme.

The rapid organic growth of the Ozner Group, the external acquisitions in recent years, and the significant support to its distributors all contributed to the substantial increase in revenue over the past few years, with a compound annual growth rate of approximately 33.9% from 2014 to 2018. On the other hand, the net profit margin of the Ozner Group showed a descending trend, from approximately 24.2% in 2014 to approximately 8.2% in 2018 due to, among others, (i) a decreased gross profit margin, mainly as a result of a lower gross profit margin recorded from supply chain services following the 2017 acquisition of Foshan Lepuda (which is engaged in the sale of micro motor products and is the main revenue contributor to the supply chain services segment), and the price adjustments relating to the supply chain services in order to win new business in the competitive market, and (ii) the increased finance cost as a result of substantial increase in borrowings, as further explained below.

2. Reasons for and benefits of the Subscription

Substantial financing needs to support the Ozner Group's business model

The Ozner Group's water purification business is conducted principally through the lease and service model, which means that substantial investments have to be made upfront to manufacture water purifiers and to generate returns in the following years principally from rental income to be received under the lease terms. Based on the accounting standards adopted by the Ozner Group, the water purifiers are recorded as non-current revenue generating assets on its consolidated statement of financial position and are depreciated over 10 years on a straight-line basis.

The various financial supports provided to the distributors put additional pressure on the Ozner Group's liquidity, as illustrated by (i) the minority investments in joint ventures with distributors and loan to distributors, amounting to approximately RMB689.8 million in aggregate as at the end of 2018, and (ii) the continued deterioration in the Ozner Group's average trade receivable turnover days from approximately 23 to 38 days for the years 2014 to 2017, and to 89 days in 2018 and 107 days for the first half of 2019, as a result of granting longer credit periods to certain distributors, adversely affecting cash flows from operating activities.

Based on a combination of the above factors, the Ozner Group committed substantial cash flows to investing activities, while cash flows from operating activities remained constrained despite a substantial growth in revenue in recent years.

Against the above backdrop, the Ozner Group has been actively pursuing different financing alternatives to meet its capital requirements. Various debt and equity fund raising exercises were conducted in the past to raise liquidity to support the Ozner Group's expansion.

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Previous debt fund raising exercises

The Ozner Group achieved its debt fund raising objectives through different types of borrowings, including (i) bank and other loans guaranteed by Ozner's subsidiaries and secured by the Ozner Group's assets, (ii) sale and leaseback arrangements, usually with a term of two to three years, with the Ozner Group's water purifiers as the main underlying assets, (iii) convertible bonds issued by Ozner, including the 5.0% convertible bond due November 2020 issued in 2015 with a principal amount of HK\$465 million (being the 2015 CB), and the 6.8% convertible bond due November 2021 issued in 2018 with a principal amount of HK\$215 million (being the 2018 CB), and (iv) factoring of accounts receivable of the Ozner Group.

Substantial debt fund raising exercises were conducted in recent years in order to meet the demand of the Ozner Group's expansion strategy, with the Ozner Group's total debt (being the sum of interest-bearing bank and other borrowings, liability component of convertible bonds and finance lease payables) increasing from approximately RMB305.9 million as at the end of 2015 (no borrowings recorded as at the end of 2014) to approximately RMB2,326.9 million as at 30 June 2019. Gearing ratio of the Ozner Group, calculated by dividing total debt by total equity, increased from approximately 15.7% as at the end of 2015 to approximately 69.1% as at 30 June 2019, reflecting a substantial debt burden of the Ozner Group.

As a consequence, finance costs of the Ozner Group increased substantially from approximately RMB4.9 million in 2015 to approximately RMB170.0 million in 2018 and RMB116.3 million in the first half of 2019. The finance costs in 2018 and the first half of 2019 are significant compared to the Ozner Group's net profit of approximately RMB134.3 million and RMB100.6 million during the respective periods. Based on our understanding from the management of the Ozner Group, the interest rates required by the Ozner Group's lenders also increased in view of the Ozner Group's financial position and the general tightened credit environment in the PRC. As set out in the letter from the Ozner Board and Appendix I to the Circular, as at 30 September 2019, the Ozner Group had total indebtedness of approximately RMB2,674.6 million, mainly comprising (i) total interest-bearing bank and other borrowings of approximately RMB1,825.1 million, with effective interest rates ranging from approximately 3.0% to 10.0%, (ii) liability component of convertible bonds of approximately RMB556.6 million, with effective interest rates ranging from approximately 10.9% to 22.6%, and (iii) finance lease payables of approximately RMB259.2 million, with effective interest rates ranging from approximately 9.0% to 17.0%.

Due principally to the increase in short-term borrowings, the Ozner Group recorded net current liabilities of approximately RMB352.2 million as at 30 June 2019, the first time since the end of 2016. Although the Ozner Group also recorded net current liabilities as at the end of both 2014 and 2015, the current liabilities included mainly working capital items in 2014 and 2015, while more than 50% of the current liabilities as at 30 June 2019 represent borrowings repayable within one year. According to the management of the Ozner Group, Ozner currently has limited property, plant and equipment available that can be pledged to secure bank borrowings for longer tenor. We note that over 80% of the interest-bearing bank

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and other borrowings of the Ozner Group as at 30 September 2019 are current liabilities, which are repayable within a year. We consider the mis-match between the long-term nature of the Ozner Group's revenue generating assets (i.e. water purifiers) and the short-term nature of a significant part of the Ozner Group's borrowings to be less desirable and may create uncertainties to the future liquidity of the Ozner Group.

Previous equity fund raising exercises

In addition to debt financing, the Ozner Group also made equity issuances. In November 2016, Ozner announced the subscription (the “**2016 Subscription**”) by an associate of Mr. Xiao, the Chairman of the Ozner Board, raising gross proceeds of approximately HK\$540.9 million. The 2016 Subscription, together with the relevant whitewash waiver, were approved by the then independent shareholders and completed in January 2017.

In May 2018, the Ozner Group completed a further equity fund raising exercise by placing new shares under its general mandate, raising gross proceeds of approximately HK\$180.0 million.

Reasons for the Subscription

The Ozner Directors consider that there is great potential in the market for water purifiers. According to the Frost & Sullivan Report, retail sales value attributable to water purifiers at commercial premises will increase to approximately RMB43.9 billion in 2024 from approximately RMB20.8 billion in 2018. Given the intensifying competition in the water purification market in the PRC, the Ozner Directors believe that it would be in the interest of the Ozner Group to establish a strategic cooperation with a substantial and reputable partner in the same industry, to further penetrate the growing water purification market and solidify the Ozner Group's leading market position. In view of the high gearing level with finance costs eroding the Ozner Group's net profit, and the recent equity placings proving to be insufficient to provide adequate capital to the Ozner Group for its pace of expansion, the Ozner Directors consider a substantial equity fund raising to be necessary. Given the above, it is desirable to invite a market leader in the same industry, with substantial financial resources, to support Ozner from both strategic and financial perspectives.

As set out in the section headed “Use of proceeds” in the letter from the Ozner Board, the net proceeds to be raised from the Subscription of approximately HK\$1.62 billion will be used as to (i) approximately 60% for debt repayment, and (ii) approximately 40% for general working capital. The cash injection to the Ozner Group is crucial to eliminate the uncertainties relating to repayment of its substantial short-term debt and to sustain its business growth in the long run.

The Subscriber, Haier Electronics, is principally engaged in the research, development, manufacture and wholesale of washing machines and water heaters under “Haier” and other brands, and the distribution of home appliance products in the PRC. According to its 2018 annual report and 2019 interim report, Haier Electronics recorded revenue of approximately

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RMB85.3 billion and RMB41.2 billion, and net profit of approximately RMB4.0 billion and RMB1.9 billion, in 2018 and the first half of 2019 respectively. As at 30 June 2019, Haier Electronics had cash and cash equivalents of approximately RMB15.6 billion, with no material borrowings. Shares of Haier Electronics are listed on the Main Board of the Stock Exchange, and Haier Electronics had a market capitalisation of approximately HK\$59.3 billion as at the Latest Practicable Date. Based on the above, Haier Electronics has a larger business scale than Ozner, and also possesses substantial financial resources. Haier Corp is the ultimate holding company of Haier Electronics and is one of the world's leading consumer appliance companies, and the Haier brand has also topped the global white goods brand rankings for the tenth consecutive year, as set out in the letter from the Ozner Board. Further, apart from the expected improvement in liquidity and saving in finance costs after reduction of debt, the Subscription is also expected to bring several synergistic benefits to the Ozner Group, including potential enhancement in market leadership, production cost saving, and sharing of distribution channels. Further discussions on the future cooperation with Haier Electronics are set out in the section below headed "Prospects of the Ozner Group".

As advised by the management of the Ozner Group, they have considered different forms of fund raising alternatives, including further debt fund raising and other forms of equity fund raising, such as a rights issue or open offer. Substantial debt fund raising is not considered to be feasible given the current high level of gearing, the general tightened credit environment and the potential further increase in finance costs. Equity placing on a smaller scale would only provide short-term relief, for example the placing exercise conducted in May 2018. Although a rights issue and open offer would provide an opportunity for all Ozner Shareholders to participate in the fund raising exercise, they are considered less appropriate in the current circumstances than the Subscription, owing to (i) a major objective of the Subscription is to introduce Haier Electronics as the controlling shareholder which could not be achieved by a rights issue or open offer, (ii) the lack of synergistic benefits to be brought by Haier Electronics as discussed above, and (iii) the uncertainties relating to whether adequate funds could be raised from a rights issue or open offer, which would depend on market conditions and the acceptance level from the Ozner Shareholders. Having considered the alternatives, the Ozner Directors consider the Subscription to be the most viable funding option currently available to the Ozner Group to address its immediate financial needs.

Against the above backdrop, we concur with the Ozner Directors that a substantial amount of subscription proceeds from Haier Electronics as a strategic shareholder would be desirable, to (i) assist the Ozner Group to further develop its water purification business, (ii) provide capital for longer term needs, and (iii) relieve the high gearing level and reverse the net current liabilities position. In particular, we consider it prudent for Ozner to act proactively to counter the uncertainties relating to the future repayment ability and liquidity, and to take steps to increase the equity capital base to reassure Ozner Shareholders and lenders, as well as to facilitate future development. Based on the above discussions, we consider that the Subscription, from a strategic perspective, is in the interests of Ozner and the Ozner Shareholders as a whole.

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3. Principal terms of the Subscription Agreement

Set out below is a summary of the principal terms of the Subscription Agreement. Please refer to the letter from the Ozner Board for further details of the Subscription Agreement.

Date: 1 November 2019

Parties: (1) Ozner (as the issuer)
(2) Haier Electronics or any of its subsidiaries (as the Subscriber)

The Subscription Shares

Haier Electronics has conditionally agreed to subscribe for 1,599,248,963 new Ozner Shares, which represent (i) approximately 75.0% of the issued Ozner Shares as at the Latest Practicable Date; and (ii) approximately 42.9% of the enlarged issued Ozner Shares (assuming that there will be no change in the issued Ozner Shares before Closing).

The Subscription Shares, when issued and fully paid-up, will rank *pari passu* in all respects among themselves and with all the Ozner Shares in issue as at the date of allotment and issue of the Subscription Shares. The Subscription Shares will be allotted and issued under the Specific Mandate to be obtained from the Ozner Shareholders at the Ozner EGM. An application will be made by Ozner to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Price

The Subscription Price has been determined at HK\$1.03 per Subscription Share. The gross proceeds of approximately HK\$1.65 billion will be payable in cash upon Closing. The Subscription Price was determined after arm's length negotiation between Ozner and Haier Electronics with reference to the prevailing market prices of the Ozner Shares, the financial performance of Ozner and the recent market conditions at the time of entry into the Subscription Agreement, and the benefits of introducing Haier Electronics as Ozner's strategic investor.

Conditions

Closing is conditional upon the Conditions having been fulfilled or waived (as applicable), as further detailed in the section headed "Conditions of the Subscription" in the letter from the Ozner Board. The major Conditions are as follows:

- (a) the Executive having granted and not having revoked the Whitewash Waiver and all of the conditions (if any) attached to such approval having been satisfied;
- (b) the Listing Committee of the Stock Exchange having granted and not withdrawn or revoked the approval for the listing of, and the permission to deal in, the Subscription Shares;

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- (c) the passing by the Ozner Independent Shareholders at the Ozner EGM of resolutions to approve: (i) the Subscription; (ii) the Specific Mandate; and (iii) the Whitewash Waiver;
- (d) the passing by the Ozner Shareholders (who are permitted to vote under the Listing Rules or by the Stock Exchange) at the Ozner EGM of resolutions to approve: (i) the Subscription; (ii) the Specific Mandate; and (iii) the appointment of the Subscriber Directors;
- (e) the issuance of a notice by SAMR approving the Transaction for merger control purposes pursuant to the AML without imposing any material conditions on Haier Electronics, or the expiry of the statutory review period under the AML and no objection having been raised by SAMR with respect to the Transaction; and
- (f) Ozner having obtained all the Consents.

In the event that the Whitewash Waiver is not granted or not approved by at least 75% of the votes cast by Ozner Independent Shareholders at the Ozner EGM, Haier Electronics may, in its sole discretion and if it is ready to make the Possible Offer, elect to waive the Conditions (a) and (c) above and proceed with the Subscription in the absence of the Whitewash Waiver. In that case, the Subscriber will make the Possible Offer in compliance with the Takeovers Code. As at the Latest Practicable Date, Haier Electronics had not determined whether or not to proceed with the Subscription if the Conditions (a) and (c) above are not fulfilled. As advised by the management of the Ozner Group, the Consents under Condition (f) above generally represent consents to be obtained from the Ozner Group's lenders.

In the event the Conditions are not fulfilled or waived by the Long Stop Date (being 31 March 2020 as extended from 31 December 2019 by written notice issued by Haier Electronics according to the Subscription Agreement unless otherwise agreed by the parties), the Subscription Agreement may be terminated by either Ozner or Haier Electronics by notice in writing to the other party, provided that the right to terminate the Subscription Agreement shall not be available to any party whose material breach of the Subscription Agreement has resulted in or materially contributed to the failure to fulfil the Conditions.

As at the Latest Practicable Date, none of the Conditions had been fulfilled. In relation to the Condition (e) above, an application was submitted by Haier Electronics to SAMR in relation to the Transaction on 15 November 2019.

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Additional Undertakings

Ozner has given certain representations, warranties and indemnities to Haier Electronics and undertaken to ensure the following events occur as soon as practical after the date of the Subscription Agreement and in any event before the Long Stop Date to the reasonable satisfaction of Haier Electronics:

- (a) the Ozner Group will carry out a restructuring exercise with regards to its interests in certain of its existing distributors such that, upon completion of such restructuring exercise, Ozner Group will have control over each of such distributors; and
- (b) written advice will be obtained from reporting accountants of the Ozner Group in relation to the accounting treatment of the restructuring exercise referred to in (a) above.

As mentioned in the section above headed “Background of the Ozner Group and recent developments”, the Ozner Group formed joint ventures with 21 high-performing distributors and held approximately 9.1% interest in each joint venture as at the Latest Practicable Date. As advised by the management of the Ozner Group, the proposed restructuring exercise (i) has been conducted by the Ozner Group since 2017, and it is expected to continue whether or not the Subscription will proceed, and (ii) is to increase such equity interest so as to obtain control in a number of such joint ventures, and such further investment could potentially be settled by off-setting the outstanding receivable balance due from such distributors, subject to further negotiations between the Ozner Group and the relevant distributors. We are advised by the management that the discussions with such distributors are still under way and the detailed terms of the proposed restructuring exercise are not available as of the Latest Practicable Date, so the exact accounting treatments and financial impacts are still unknown. As such, we are not able to comment as to whether or not the proposed restructuring exercise is fair and reasonable. However, management of the Ozner Group expects that the cash and business impacts as a result of the restructuring exercise will not be material.

Subject to compliance with the Listing Rules, Haier Electronics and Ozner have also undertaken to procure that the following agreements are entered into in connection with a strategic collaboration between Haier Electronics and Ozner within one month from the date of the Subscription Agreement, in each case to take effect on Closing or on such other date agreed between the parties:

- (a) a brand licence agreement (the “**Brand Licence Agreement**”) authorising the relevant Ozner Group Companies to use the “Haier” brand and relevant trademark(s) to market certain of Ozner’s products in its water purification commercial leasing business; and

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- (b) a framework agreement (the “**Framework Agreement**”) regarding business cooperation in relation to (i) cooperation in production and manufacturing of certain water purification products; (ii) developing synergies in the distribution and sale of products; (iii) sharing of the Ozner Group’s and Haier Electronics’ after-sales services resources; and (iv) cooperation in financing and optimising the capital structure of Ozner.

On 30 November 2019, Haier Electronics and Ozner has entered into the Brand Licence Agreement, which provided that the fee payable by the relevant Ozner Group Companies thereunder is nominal. We consider in general that given the renowned “Haier” brand and the nationwide reach of its home appliances, the use of the “Haier” brand in marketing Ozner’s water purification products at a nominal fee will be beneficial to the business of the Ozner Group. Nevertheless, we understand from the management of the Ozner Group that the “Ozner” brand will be retained, and the two brand names are expected to be used in different layers of the Ozner Group’s products, depending on the future marketing strategy. As regards the Framework Agreement that has been entered into on 2 November 2019, we consider it common to have various types of collaboration with the incoming controlling shareholder for the purpose of realising potential synergies, in terms of, among others, increasing business performance and reducing costs of the Ozner Group. The transactions contemplated under the above agreements may constitute connected transactions of Ozner and subject to compliance with the Listing Rules.

To support business growth, Haier Electronics has agreed, after Closing, to negotiate in good faith with Ozner (a) to make available, subject to the financing needs proven necessary and the budget to be approved by the Ozner Board, a credit line of up to RMB500 million by way of offering an intra-group onshore entrusted loan by a subsidiary of Haier Electronics or procuring an onshore loan to be provided by a relationship bank introduced by Haier Electronics; and (b) subject to the capital needs of Ozner at such time, to procure an affiliate of Haier Electronics to provide a tailor-made financial solution to Ozner. As at the Latest Practicable Date, it had not been determined whether or not any such credit line or other financial solution will be required. The transactions contemplated under the above arrangements may constitute connected transactions of Ozner and subject to compliance with the Listing Rules. Given the substantial financing needs of the Ozner Group as analysed in the section above headed “Reasons for and benefits of the Subscription”, we consider the additional financial support by Haier Electronics, on top of the Subscription, to be beneficial to the Ozner Group, subject to the actual terms of the credit line, onshore loan and/or the tailor-made financial solution.

Break fee and reverse break fee

Under the Subscription Agreement, there is a break fee of HK\$10 million payable by Ozner or Haier Electronics upon termination of the Subscription Agreement by the other party due to a breach of obligations to fulfil the Conditions by the Long Stop Date, any of the Closing obligations or the exclusivity obligation (as applicable).

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Non-competition undertaking

With effect from Closing and during the period when Haier Electronics controls Ozner or the Ozner Board, other than through an Ozner Group Company, Haier Electronics and its affiliates shall not:

- (a) carry on or be engaged in any Competing Business in any of the Restricted Territories except for the Existing Competing Business; and
- (b) induce or seek to induce any member of the Ozner Group's senior management team who is employed by an Ozner Group Company either at the relevant time or in the preceding 12-month period to be employed whether as employee, consultant or otherwise by it or any of its affiliates, subject to certain exceptions.

Notwithstanding the above, Haier Electronics and its affiliates shall not be affected or prohibited from the following activities:

- (a) owning any equity or debt interest in the Subscriber or any Ozner Group Company;
- (b) the holding or acquisition of any equity or debt interest in any person that is engaged in any Competing Business by any affiliate of Haier Electronics which is not controlled by Haier Electronics, where such affiliate does not control or have operational management control over such person, and the equity or debt interest held by such affiliate represents no more than 20% of the entire equity interest of such person;
- (c) owning any equity or debt interest in any person engaged in a Competing Business where the revenue generated by such person from such Competing Business in the Restricted Territories shall comprise no more than 10% of the total revenue of the Ozner Group in the Restricted Territories in the most recent financial year;
- (d) conducting any activities contemplated under the Framework Agreement, or any activities for the purpose of enhancing the productivity, efficiency and competitiveness of Haier Electronics' or its affiliates' value chain function;
- (e) the holding of equity or debt interest and the engagement in BWT Haier Water Technology Co., Ltd. ("**BWT Haier**") or Haier BWT Water Equipment Co., Ltd. ("**Haier BWT**") or any of their respective subsidiaries; and
- (f) engaging in the manufacturing and sale of parts, components and other similar non-complete products related to any Competing Business.

We understand from the management of the Ozner Group that the Existing Competing Business mainly represents the PRC commercial water purification business being undertaken by Qingdao Haishi, which constituted less than 3% of Qingdao Haishi's revenue, while its household water purification business constituted a majority of its revenue, in the first half of 2019. On the other hand, the Ozner Group primarily focuses on the PRC commercial water purification business, which is different from the business focus of Qingdao Haishi. We are being advised that in 2018 and the first half of 2019, Qingdao Haishi's revenue from its commercial water purification business account for not more than 1% and 2% of the Ozner Group's total revenue during the respective periods. As set out in the letter from the Ozner

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Board, BWT Haier is 51% owned by BWT Aktiengesellschaft and 49% owned by an indirect wholly-owned subsidiary of Haier Electronics. Haier BWT is 60% owned by Qingdao Haishi and 40% owned by BWT Aktiengesellschaft. Both BWT Haier and Haier BWT mainly engage in the manufacturing and distribution of point-of-entry water purification products for residential purposes, including multi-layer water filters and water softeners, which the Ozner Group considers as different from the business of the Ozner Group in terms of target customers because the Ozner Group focuses on commercial sector customers. In any event, Haier Electronics will negotiate in good faith with the shareholder(s) of the Existing Competing Business with a view to injecting the Existing Competing Business into the Ozner Group within two years after the date of the Subscription Agreement, on terms and valuation acceptable to the parties.

Having considered (i) the willingness of Haier Electronics to provide such non-competition undertaking in favour of the Ozner Group, (ii) the different business focuses of Qingdao Haishi, BWT Haier and Haier BWT on one hand and the Ozner Group on the other hand, and the relatively insignificant revenue that Qingdao Haishi generated from its commercial water purification business, and (iii) the potential injection of the Existing Competing Business into the Ozner Group, we consider the arrangement under the non-competition undertaking to be acceptable. Similar to the Brand Licence Agreement and the Framework Agreement, the above injection of the Existing Competing Business may constitute connected transactions of Ozner and subject to compliance with the Listing Rules.

Board composition of Ozner

Ozner will: (a) cause five individuals nominated by Haier Electronics to be appointed as Ozner Directors representing a majority of the Ozner Board immediately following such appointment; and (b) effect the resignation of such number of Ozner Directors from the Ozner Board so as to enable the individuals nominated by Haier Electronics to represent a majority of the Ozner Board.

As set out in the letter from the Ozner Board, the appointment of the Subscriber Directors will be considered at the Ozner EGM. The biographical details of the Subscriber Directors are stated under the section headed “Appointment of the Subscriber Directors” in the letter from the Ozner Board.

Strategic committee

Subject to consent by the Executive to, and approval by the Ozner Independent Shareholders of, the Strategic Committee Establishment, Haier Electronics and Ozner will cause a strategic committee (the “**Strategic Committee**”) to be established under the Ozner Board as soon as practicable after Closing. The Strategic Committee Establishment constitutes a special deal under the Takeovers Code, and is further analysed in the section below headed “Special Deal — the Strategic Committee Establishment”.

Closing

Closing shall take place on the fifth Business Day after the date on which all of the Conditions (except those which by their nature may only be satisfied on the Closing Date) are satisfied or waived, or any other date as Ozner and Haier Electronics may agree in writing.

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4. Financial information of the Ozner Group

(i) Financial performance

The following table sets out a summary of the consolidated statements of profit or loss of the Ozner Group for the three financial years ended 31 December 2016, 2017 and 2018, and for the six months ended 30 June 2018 and 2019, as extracted from the 2017 Annual Report, 2018 Annual Report and the 2019 Interim Report:

	For the six months ended 30 June		For the financial year ended 31 December		
	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000	2018 (audited) RMB'000	2017 (audited) RMB'000	2016 (audited) RMB'000
Revenue	863,209	798,274	1,644,914	1,549,027	920,766
Cost of sales	(459,349)	(456,413)	(884,273)	(833,338)	(418,673)
Gross profit	403,860	341,861	760,641	715,689	502,093
<i>Gross profit margin</i>	<i>46.8%</i>	<i>42.8%</i>	<i>46.2%</i>	<i>46.2%</i>	<i>54.5%</i>
Other income and gains (Note)	103,582	37,670	75,257	198,276	116,613
Selling and distribution expenses	(55,208)	(82,226)	(171,017)	(267,941)	(155,042)
Administrative expenses	(111,048)	(85,384)	(211,745)	(166,186)	(114,044)
Other expenses	(84,302)	(10,768)	(62,852)	(86,691)	(33,423)
Finance costs	(116,345)	(72,676)	(170,046)	(107,059)	(50,214)
Share of losses of associates	(13,231)	(14,655)	(24,222)	—	—
Profit before tax	127,308	113,822	196,016	286,088	265,983
Income tax expense	(26,678)	(23,319)	(61,746)	(45,208)	(37,328)
Profit for the period/year	100,630	90,503	134,270	240,880	228,655
<i>Net profit margin</i>	<i>11.7%</i>	<i>11.3%</i>	<i>8.2%</i>	<i>15.6%</i>	<i>24.8%</i>
Profit attributable to the Ozner Shareholders	94,181	77,645	112,960	230,770	229,193
Earnings per share:					
Basic (RMB cents)	4.51	3.77	5.45	11.43	13.31
Diluted (RMB cents)	4.51	3.77	5.45	11.43	8.56
Dividend per share (RMB cents)	—	—	1.09	2.25	—

Note: Includes, among others, fair value gain/loss on derivative financial instruments and derivative component of convertible bonds

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Revenue

The Ozner Group's total revenue mainly derives from (i) water purification services (i.e. leasing or sales of water purifiers and provision of after-sale services), (ii) supply chain services (i.e. sale of micro motor products by Foshan Lepuda) and (iii) air sanitization services and others. A breakdown of revenue by business segments are sets out in the table below:

	For the six months ended 30 June		For the financial year ended 31 December		
	2019	2018	2018	2017	2016
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Water purification services	563,132	525,992	1,149,169	1,169,417	854,202
— Rental income	442,721	372,899	782,517	666,921	557,943
— Sale of goods	110,195	126,509	319,996	417,709	193,073
— Training services	10,216	26,584	46,656	84,787	103,186
Supply chain services	240,367	236,108	416,324	214,412	—
Air sanitization services and others	59,710	36,174	79,421	165,198	66,564
Total revenue	863,209	798,274	1,644,914	1,549,027	920,766

Revenue from water purification services increased by approximately 36.9% in 2017 but remained flat in 2018. This was mainly due to a combination of factors including (i) the increase in the accumulated number of water purifiers installed (from approximately 1,265,000 units as at 31 December 2016 to approximately 2,034,000 units as at 31 December 2018) and (ii) the continued expansion of its service network coverage and the increase in total number of distributors (from 4,980 distributors as at 31 December 2016 to 7,202 distributors as at 31 December 2018), partly offset by (iii) the Ozner Group's strategy adjustment since 2018 to focus on leasing of commercial water purifiers, resulting in reduced sales of household water purifiers. As a result, the Ozner Group recorded continuous growth for rental income, but a decrease in sale of goods, particularly in 2018. For the first half of 2019, revenue from water purification services amounted to approximately RMB563.1 million, representing an increase of approximately 7.1% as compared to the first half of 2018, exhibiting a continued trend as explained above.

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Revenue from supply chain services was approximately RMB214.4 million in 2017, and increased by approximately 94.2% in 2018 to approximately RMB416.3 million, reflecting the full-year operating results of Foshan Lepuda acquired in 2017. For the first half of 2019, revenue from supply chain services was approximately RMB240.4 million, similar to the level in the first half of 2018.

Gross profit margin

The overall gross profit margins of the Ozner Group decreased in 2017, mainly due to the consolidation of supply chain services, which registered a relatively low gross profit margin, and subsequently remained stable between approximately 42.8% and 46.8% throughout the other periods presented. Detailed gross profit margin percentages by segments are set out in the table below:

	For the six months		For the financial year		
	ended 30 June		ended 31 December		
	2019	2018	2018	2017	2016
Water purification services	53.3%	50.9%	54.2%	50.8%	55.8%
Supply chain services	18.8%	18.2%	15.8%	20.5%	—
Overall gross profit margin	46.8%	42.8%	46.2%	46.2%	54.5%

The gross profit margin from water purification services depends heavily on the revenue mix. The lease model commands a higher gross margin than that of the direct sale model. As mentioned above, the Ozner Group increased focus on the commercial leasing market in 2018, which in turn led to the increase in revenue contribution and improved the segment profit margin for water purification services. The profit margin from supply chain services represents mainly the business of Foshan Lepuda, and declined in 2018 mainly due to price adjustment in response to the competitive market. As the gross profit margin of supply chain services is significantly lower than that of the water purification services, the Ozner Group's overall gross margin since the acquisition of Foshan Lepuda in 2017 has been notably lower.

Other income and gains

Other income and gains generally included (i) government grants, (ii) interest income from bank deposits, (iii) technical service fee, and (iv) certain fair value changes and one-off disposal gain or loss. In 2017, the Ozner Group disposed of its 19.5% (out of 51%) equity interest in Shanghai Hoyo Information Technology Co., Ltd. (“**Shanghai Hoyo**”), which is principally engaged in water purifying services, and recorded a gain on disposal of approximately RMB138.9 million, resulting in the substantial increase in

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other income and gains in 2017. Since the disposal, Shanghai Hoyo has become an associate of the Ozner Group, and its profits or losses have been reflected under the share of losses of associates as stated in the above table.

For the first half of 2019, the Ozner Group assessed the fair value of its equity investments in the distributors and derivative component of convertible bonds and recorded gains of approximately RMB67.8 million and RMB21.8 million respectively, leading to the significant increase in other income and gain during the period.

Finance costs

Finance costs mainly represent interest expenses on bank and other borrowings, finance lease payables and convertible bonds. Finance cost showed a substantial upward trend throughout the periods under review, increasing by approximately 113.2% in 2017 to approximately RMB107.1 million, and further increased by approximately 58.8% in 2018 to approximately RMB170.0 million. For the first half of 2019, finance costs went further up to approximately RMB116.3 million, representing an approximately 60.1% increase compared to the first half of 2018.

The increasing trend in finance costs was a result of the increase in borrowings of the Ozner Group to support the rapid expansion of business and acquisitions made in recent years, as detailed in the section above headed “Background of the Ozner Group and recent developments”. Interest coverage ratio reduced from approximately 6.3 times in 2016 to approximately 3.7 times in 2017, and decreased further to approximately 2.2 times in 2018. For the first half of 2019, interest coverage ratio stood at 2.1 times, but the Ozner Group’s result during the period was mainly supported by the fair value gain recorded in other income and gains, as explained above.

Profit attributable to the Ozner Shareholders

During the periods presented above, net profit attributable to the Ozner Shareholders, in general, exhibited a downward trend. Although the amount in 2017 of approximately RMB230.8 million was slightly higher than that in 2016, it would have been lower than 2016 after removing the effect of (i) fair value gain relating to convertible bonds of approximately RMB96.1 million in 2016, and (ii) the one-off gain on disposal of Shanghai Hoyo of approximately RMB138.9 million in 2017. In addition, the seemingly high level of attributable net profit for the first half of 2019 of approximately RMB94.2 million (compared to the 2018 full year attributable net profit of approximately RMB113.0 million) was mainly a result of fair value gains relating to convertible bonds and derivative financial instruments, amounting to approximately RMB89.5 million. Had the non-recurring and non-core business related items (i.e. the fair value gains and gain or loss on disposals) and the related effects on tax and non-controlling interests been adjusted, the attributable net profit in the first half of 2019 would be approximately RMB23.0 million. The above adjustments represent exclusions of the aggregate fair value gains on derivative financial instruments and derivative

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component of convertible bonds, and the aggregate losses on disposal of items of property, plant and equipment, revenue generating assets and inventories, and the related effects on tax and non-controlling interests from the attributable net profit, which are calculated with reference to the published figures as extracted from the 2018 Annual Report and the 2019 Interim Report (as applicable) and the information provided by management of the Ozner Group. Applying the same adjustments, the net profit attributable to the Ozner Shareholders for the trailing twelve months (“**TTM**”) ended 30 June 2019 would be approximately RMB42.4 million (the “**TTM Adjusted Net Profit**”).

(ii) *Financial position*

The following table sets out a summary of the consolidated statement of financial position of the Ozner Group as at 31 December 2016, 2017 and 2018, and as at 30 June 2019, as extracted from the 2017 Annual Report, 2018 Annual Report and the 2019 Interim Report:

	As at 30 June 2019	As at 31 December		
	(unaudited)	2018	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Revenue generating assets	1,816,485	1,789,034	1,595,699	1,484,409
Property, plant and equipment	953,695	833,285	865,937	776,116
Goodwill and other intangible assets	420,887	432,248	449,876	85,755
Investment in associates	294,082	270,314	86,135	—
Equity investments designated at fair value through other comprehensive income	355,064	418,068	152,491	—
Prepayments, other receivables and other assets	263,773	252,277	780,380	71,237
Other non-current assets	<u>269,655</u>	<u>215,971</u>	<u>189,401</u>	<u>119,477</u>
	4,373,641	4,211,197	4,119,919	2,536,994
Current assets				
Inventories	362,924	345,568	308,781	164,231
Trade and bills receivables	560,154	462,019	354,187	44,044
Prepayments, other receivables and other assets	1,203,726	937,978	377,196	411,652
Bank balances and cash (<i>Note</i>)	506,154	470,851	623,593	529,330
Other current assets	<u>248,322</u>	<u>147,080</u>	<u>2,924</u>	<u>2,271</u>
	2,881,280	2,363,496	1,666,681	1,151,528

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	As at 30 June 2019 (unaudited) RMB'000	As at 31 December		
	2018 (audited) RMB'000	2017 (audited) RMB'000	2016 (audited) RMB'000	
Current liabilities				
Trade and bills payables	424,936	339,757	397,936	128,378
Other payables, advances from customers and accruals	634,047	559,299	557,853	271,882
Interest-bearing bank and other borrowings(*)	1,484,600	713,362	89,827	49,500
Finance lease payables(*)	253,299	280,612	334,532	146,810
Other current liabilities	<u>436,586</u>	<u>348,978</u>	<u>271,640</u>	<u>295,101</u>
	3,233,468	2,242,008	1,651,788	891,671
Net current (liabilities)/assets	(352,188)	121,488	14,893	259,857
Non-current liabilities				
Finance lease payables(*)	61,143	169,489	444,606	224,960
Liability component of convertible bonds(*)	527,830	507,694	335,581	342,039
Interest-bearing bank and other borrowings(*)	—	295,000	231,321	—
Other non-current liabilities	<u>64,813</u>	<u>49,696</u>	<u>42,502</u>	<u>6,206</u>
	653,786	1,021,879	1,054,010	573,205
Total assets	7,254,921	6,574,693	5,786,600	3,688,522
Total liabilities	<u>3,887,254</u>	<u>3,263,887</u>	<u>2,705,798</u>	<u>1,464,876</u>
Net assets	3,367,667	3,310,806	3,080,802	2,223,646
Equity attributable to the Ozner Shareholders	3,192,117	3,141,705	2,933,011	2,219,284
Net asset value (“NAV”) per share	1.50	1.47	1.43	1.28
Total debt (sum of *)	2,326,872	1,966,157	1,435,867	763,309
<i>Include: current portion of debt (% of total debt)</i>	<i>1,737,899 (74.7%)</i>	<i>993,974 (50.6%)</i>	<i>424,359 (29.6%)</i>	<i>196,310 (25.7%)</i>
Gearing	69.1%	59.4%	46.6%	34.3%

Note: Bank balances and cash include cash and cash equivalents, pledged deposits and short-term investments

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As at 30 June 2019, the Ozner Group recorded total assets of approximately RMB7,254.9 million. Revenue generating assets of approximately RMB1,816.5 million, representing water purifiers under lease arrangements, was the largest assets item, accounting for approximately 25.0% of total assets. The water purifiers produced by the Ozner Group are depreciated on a straight-line basis over 10 years. Other assets mainly included (i) prepayments, other receivables and other assets of approximately RMB1,467.5 million (including current and non-current portion), mainly representing prepayment for raw materials, loans to distributors of the Ozner Group's products, value-added tax receivables and wealth management products (consisting mainly of Ozner's investment in certain funds managed by a third party with an aggregate outstanding principal plus accrued interest of HK\$174.9 million as at the Latest Practicable Date, which are due and repayable but have not been paid to Ozner, as detailed in Appendix I to the Circular), (ii) property, plant and equipment of approximately RMB953.7 million, mainly representing the Ozner Group's production facilities, (iii) investment in associates and other equity investments of approximately RMB649.1 million, comprising, among others, 31.5% equity interests in Shanghai Hoyo, approximately 9.1% equity interests in each of the 21 joint ventures formed with Ozner's distributors, and a 5.14% equity interests in a microfinance company, (v) trade and bills receivables of approximately RMB560.2 million, and (vi) bank balances and cash of approximately RMB506.2 million.

The Ozner Group was in net current liabilities position of approximately RMB352.2 million as at 30 June 2019, with a current ratio of approximately 0.9 times. For the financial year ended 31 December 2018 and for the six months ended 30 June 2019, the average trade receivable turnover days were 89 days and 107 days, while the average inventories turnover days were 130 days and 159 days, respectively, indicating the deteriorating liquidity position of the Ozner Group in 2018 and 2019.

As at 30 June 2019, the Ozner Group recorded total liabilities of approximately RMB3,887.3 million, which mainly comprised debt of approximately RMB2,326.9 million and working capital items. Total debt as at 30 June 2019 comprised (i) interest-bearing bank and other borrowings of approximately RMB1,484.6 million, bearing interest rates ranging from approximately 4.4% to 10.0% per annum and repayable within one year, (ii) liability component of convertible bonds of approximately RMB527.8 million, including (a) the 2015 CB with a principal amount of HK\$465 million, bearing interest rate of 5.0% per annum and maturing in November 2020; and (b) the 2018 CB with a principal amount of HK\$215 million, bearing interest rate of 6.8% per annum and maturing in November 2021; and (iii) finance lease payables of approximately RMB314.4 million, bearing interest rates ranging from 4.91% to 7.0% per annum and repayable within two years, secured by 841,355 units of water purifiers with the carrying amount of approximately RMB851.7 million.

The Ozner Group's gearing ratio, derived by dividing total debt by total equity, increased from approximately 34.3% as at 31 December 2016 to approximately 69.1% as at 30 June 2019, due to the continued increase in borrowings. The current portion of total debt also gradually increased from approximately 25.7% as at 31 December 2016 to approximately 74.7% as at 30 June 2019, which was the main reason behind the Ozner Group's deteriorating

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net current liabilities status. On 30 June 2019, the Ozner Group's capital commitments amounted to approximately RMB283.3 million, mainly for renovation and construction of Shaanxi manufacturing facility. As at the same date, the Ozner Group had only approximately RMB48.3 million unutilised loan facilities.

(iii) *Cash flows*

The following table sets out a summary of the consolidated statement of cash flows of the Ozner Group for the three financial years ended 31 December 2016, 2017 and 2018, and for the six months ended 30 June 2018 and 2019, as extracted from the 2017 Annual Report, 2018 Annual Report and the 2019 Interim Report:

	For the six months		For the financial year		
	ended 30 June		ended 31 December		
	2019	2018	2018	2017	2016
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflows/(outflows)					
generated from/(used in):					
— Operating activities	143,962	64,183	317,571	54,465	244,119
— Investing activities	(350,397)	(470,932)	(747,906)	(1,293,158)	(521,211)
— Financing activities	<u>139,974</u>	<u>501,060</u>	<u>458,507</u>	<u>981,174</u>	<u>375,621</u>
 Net (decrease)/increase in cash and cash equivalents	 (66,461)	 94,311	 28,172	 (257,519)	 98,528

Although total revenue of the Ozner Group continued to grow in recent years, reaching over RMB1.6 billion in 2018, it has generated a limited amount of cash inflows from operating activities, which was mainly adversely affected by (i) the increasing trend of average trade receivable and inventories turnover days, (ii) the downward trend of the Ozner Group's net profit margin, and (iii) the continuous increase in provision of loans to the Ozner Group's distributors for the purpose of capturing market share.

At the same time, in line with its expansion strategies, the Ozner Group recorded significant amounts of cash outflows used in investing activities. In particular, the Ozner Group made a number of significant acquisitions in 2017 (details of which are set out in the section above headed "Background of the Ozner Group and recent developments"), leading to the substantial net cash outflows used in investing activities of approximately RMB1.3 billion, and incurred significant capital expenditures for its Shaanxi manufacturing facility and production of new water purifiers, amounting a total of approximately RMB534.5 million and RMB354.5 million in 2018 and the first half of 2019 respectively.

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From the trend of cash flows as shown in the table above, the Ozner Group did not have adequate operating cash flows to support its investing activities, and therefore continued to seek financing, mainly through debt fund raising exercises, which in turn led to the worsening financial position and the rising finance costs.

5. Prospects of the Ozner Group

According to the Frost & Sullivan Report, for the year 2018, approximately 373.9 billion litres of drinking water in the PRC, or approximately 34.6% of total consumption volume of drinking water in the PRC, were processed by water purifiers. This is expected to grow at a compound annual growth rate of 12.0% to 2024 to approximately 737.4 billion litres, or over 60% of the expected total consumption. Such increase was mainly driven by the increasing awareness of drinking water safety, growing urbanization rate and increasing disposal income. The total market size of drinking water purifiers in China is expected to grow at a compound annual growth rate of 10.3% between 2018 and 2024, with the retail sales value expected to reach approximately RMB201.3 billion in 2024.

Based on the retail sales value in 2018 summarised in the Frost & Sullivan Report, Ozner was the leader in the commercial sector of water purification market in the PRC, with its retail sales value higher than the combined retail sales value achieved by the second to the fifth industry players in the PRC. As set out in the letter from the Ozner Board, Ozner has an extensive and effective distribution network and a proprietary service network, which is considered to be the key competitive advantage of Ozner. On the basis of the above, the prospects for the industry in which the Ozner Group is operating in appear to be positive in the near future. However, as mentioned in the section above headed “Reasons for and benefits of the Subscription”, the Ozner Group’s unique lease and service model requires substantial upfront investments, and the Ozner Group is currently facing a substantial debt burden, which may hinder its future business and growth.

In 2019, Haier Electronics acquired a 51% interest in Qingdao Haishi, which is engaged in the research and development and sale of household water purifying solutions and related products. According to the Joint Announcement, Qingdao Haishi ranked third in the first half of 2019 in terms of market share based on its sales of household water purification products. Following Closing, Ozner is expected to become the flagship commercial water purification business platform within the Haier Group, and synergies between the two businesses may be achieved through several collaborations, including (i) potential enhancement in market leadership and scale by leveraging the “Haier” brand and distribution channels of both groups, (ii) potential savings in manufacturing cost through the achievement of economies of scale and higher production efficiency, (iii) potential savings in financing cost through Haier Electronics’ support in improving the Ozner Group’s debt structure, (iv) potential product line expansion by utilising the Ozner Group’s distribution channel for selling certain of Haier Electronics’ products, and (v) improved liquidity with the proceeds from the Subscription to be used for debt repayment and general working capital. Having considered the above, we concur with the Ozner Directors’ view that realisation of potential synergies between Haier Electronics and Ozner after the Transaction is expected to have a positive impact to Ozner’s long term growth.

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As set out in the section headed “Future Intentions of the Subscriber regarding the Ozner Group” in the letter from the Ozner Board, Haier Electronics intends to (i) continue the existing business of the Ozner Group and it does not currently intend to introduce any major changes to the existing operations and business of the Ozner Group or redeploy or dispose of any of the fixed or other assets of the Ozner Group, and (ii) save for the changes to the board composition of Ozner as disclosed in the section above headed “Principal terms of the Subscription Agreement”, Haier Electronics has no current intention to discontinue the employment of the employees of the Ozner Group, other than in the ordinary course of business following the Closing.

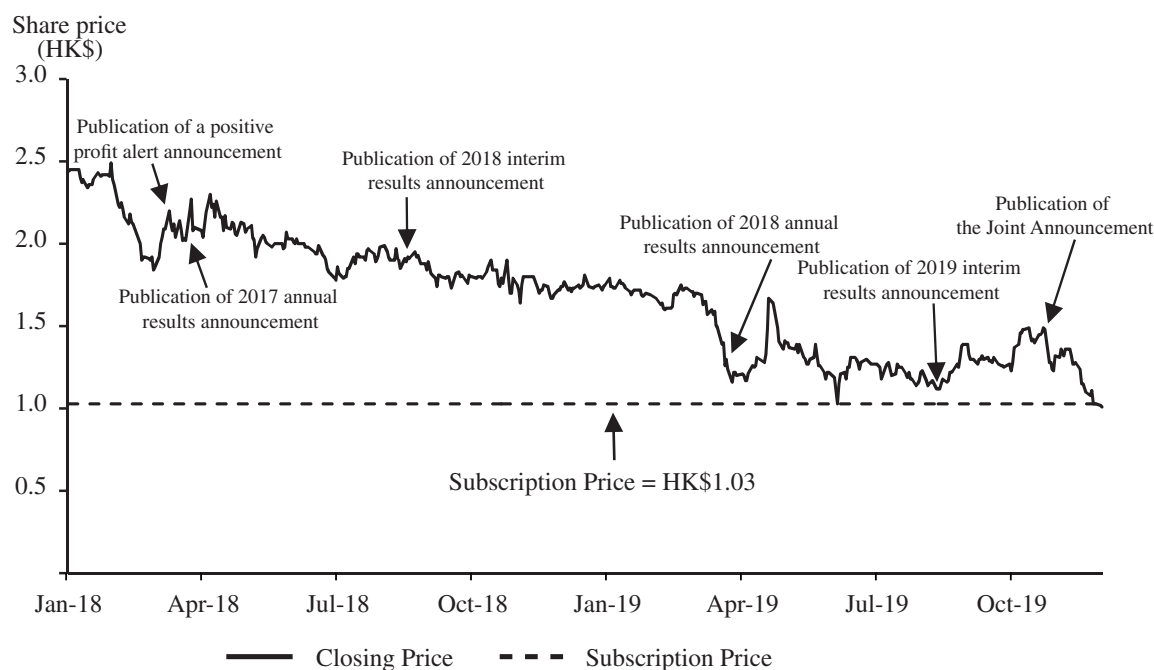
Haier Electronics also intends to maintain the listing status of Ozner on the Stock Exchange. Following Closing, Haier Electronics will, together with the management of the Ozner Group, conduct a further detailed review of the operations and business strategy of the Ozner Group with a view to improving the performance of the Ozner Group and developing corporate strategies to enhance profitability and return on capital of the Ozner Group. Subject to the results of that review and after taking into account of the recommendations of the Strategic Committee, Haier Electronics will consider possible options to improve the existing operations and business of the Ozner Group or to seek new business opportunities to improve the Ozner Group’s financial position and prospects, including possible co-operations with Haier Electronics to leverage on its technological capabilities, wide product range, extensive distribution and services network in the PRC and other resources that could be made available to members of the Haier Group. Haier Electronics expects that professionals with solid experience and expertise relevant to the water purification industry will be appointed to be members of the Strategic Committee. As such, the Strategic Committee’s input for formulating the business strategies will be very valuable. A detailed review will also be conducted regarding the Ozner Group’s financial position and potential improvements to the Ozner Group’s capital structure. Haier Electronics may also provide further resources to support the current businesses of the Ozner Group. In addition to capital, Haier Electronics expects to bring in professional capability, technology, know-how and business opportunities to Ozner which are beneficial to Ozner and the Ozner Shareholders as a whole.

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6. Analysis of historical price performance and liquidity of the Ozner Shares

(i) *Historical price performance of the Ozner Shares*

Set out below is the movement of the closing prices of the Ozner Shares during the period from 2 January 2018 to the Latest Practicable Date (the “**Review Period**”). We consider that a review of approximately two years of price performance enables the illustration of (i) the effects of various corporate transactions of the Ozner Group since 2017 (as detailed in the section above headed “Background of the Ozner Group and recent developments”), which would have their financial performance reflected in subsequent results announcements since 2018, and (ii) the longer term price trend as further described below.



Source: Bloomberg

The share price chart above illustrates that although the Ozner Shares were traded higher than the Subscription Price during most of the Review Period, it has been experiencing a gradual downward trend in the past two years.

After reaching a high of HK\$2.49 on 31 January 2018, the market price of the Ozner Shares generally trended downward until early March 2018. On 12 March 2018 (before trading hours), Ozner published a positive profit alert announcement, stating that it was expected to record a significant increase in revenue and a marginal increase in profit for the year 2017 compared with 2016. On the same day, the Ozner Share price rebounded by approximately 5.3% and closed at HK\$2.20. After that, the market price of the Ozner Shares resumed its downward trend, continuing throughout the rest of 2018 and until late-March 2019, trading between HK\$2.30 and HK\$1.39. On 27 March 2019 (before trading hours), Ozner announced its 2018 annual results, showing an approximately 6.2% increase in revenue, but an approximately 44.4% decrease in net profit. The Ozner Share price dropped by 10.0%

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during trading hours and closed at HK\$1.26 on that day, and surged over 10% to HK\$1.48 on 25 April 2019 and HK\$1.67 on 26 April 2019. The price of the Ozner Shares then dropped to a low of HK\$1.03 on 12 June 2019, being the same as the Subscription Price of HK\$1.03 per Subscription Share. After falling to a year low, the price of the Ozner Shares rebounded, closing at HK\$1.48 on the Last Trading Day. However, this was down by almost 40% from the start of the Review Period and down by approximately 45% from Ozner's initial public offer price of HK\$2.70 in 2014.

Following publication of the Joint Announcement on 1 November 2019 (after trading hours), the Ozner Share price dropped by approximately 13.5% and closed at HK\$1.28 on 4 November 2019, the following trading day. In our view, such drop in market price may have been due to a market perception of the seriousness of the financial position of Ozner, reflected in the Subscription Price of HK\$1.03 (significantly lower than the prevailing market price of the Ozner Shares), and the Subscription Shares representing a significant portion of the enlarged issued Ozner Shares after Closing. The price of the Ozner Shares trended generally downward thereafter, and closed at HK\$1.01 on the Latest Practicable Date.

(ii) Trading liquidity

Set out below are the monthly total trading volumes of the Ozner Shares and the percentages of the monthly total trading volume to the total issued Ozner Shares and public float of Ozner during the Review Period:

	Monthly total trading volume of the Ozner Shares (Note 1)	Percentage of the monthly total trading volume of the Ozner Shares to the total issued Ozner Shares (Note 2)	Percentage of the monthly total trading volume of the Ozner Shares to public float of Ozner (Note 3)
2018			
January	38,665,250	1.9%	4.2%
February	30,607,000	1.5%	3.3%
March	50,539,700	2.5%	5.5%
April	24,905,000	1.2%	2.7%
May	32,189,029	1.5%	3.2%
June	24,695,004	1.2%	2.4%
July	22,139,396	1.0%	2.2%
August	22,332,195	1.0%	2.2%
September	18,518,354	0.9%	1.8%
October	23,389,086	1.1%	2.3%
November	36,307,385	1.7%	3.6%
December	6,426,739	0.3%	0.6%

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	Monthly total trading volume of the Ozner Shares (Note 1)	Percentage of the monthly total trading volume of the Ozner Shares to the total issued Ozner Shares (Note 2)	Percentage of the monthly total trading volume of the Ozner Shares to public float of Ozner (Note 3)
2019			
January	5,482,352	0.3%	0.5%
February	18,734,124	0.9%	1.9%
March	27,533,683	1.3%	2.7%
April	25,849,730	1.2%	3.5%
May	18,561,326	0.9%	2.5%
June	14,297,820	0.7%	2.0%
July	15,597,428	0.7%	2.1%
August	15,241,521	0.7%	2.1%
September	71,896,814	3.4%	9.8%
October	33,823,538	1.6%	4.6%
November	20,481,273	1.0%	2.8%

Notes:

- (1) *Source: Bloomberg*
- (2) *The calculation is based on the monthly total trading volumes of the Ozner Shares divided by all the issued Ozner Shares at the end of each month*
- (3) *The calculation is based on the monthly total trading volumes of the Ozner Shares divided by the total number of Ozner Shares held by the public at the end of each month*

As shown in the above table, the monthly trading volumes of the Ozner Shares represented approximately 0.3% to 3.4% of the total issued Ozner Shares, equivalent to approximately 0.5% to 9.8% of the Ozner Shares constituting the public float of Ozner. Broadly speaking, except for September 2019 showing a relatively higher level of trading volume (and a particularly high trading volume of approximately 26.8 million Ozner Shares on 20 September 2019, without significant price movement noted), the Ozner Shares have been less actively traded in the first eleven months of 2019 (other than September 2019) than in 2018, with the average daily trading volume of approximately 1.0 million and 1.3 million Ozner Shares respectively. Management of the Ozner Group have confirmed to us that they are not aware of any reasons for the surge in trading volume of the Ozner Shares in September 2019. On the basis of the above and except for September 2019, we consider that the recent trading of the Ozner Shares was relatively thin. This may be attributable to the fact that over 80% of the Ozner Shares were being held by Mr. Xiao, Mr. Xiao's Related Entities, and other

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institutional investors holding over 5% of the Ozner Shares, some of which were shareholders of Ozner prior to its listing in 2014, leaving less than 20% of the Ozner Shares in the hands of other public Ozner Shareholders.

(iii) *Subscription Price comparisons*

The Subscription Price of HK\$1.03 per Subscription Share represents:

- (a) a premium of approximately 2.0% over the closing price of HK\$1.01 per Ozner Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 30.4% to the closing price of HK\$1.48 per Ozner Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 24.8% to the average of the closing price per Ozner Share of approximately HK\$1.37 for the last 30 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (d) a discount of approximately 20.8% to the average of the closing price per Ozner Share of HK\$1.30 for the last 60 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (e) a discount of approximately 19.5% to the average of the closing price per Ozner Share of HK\$1.28 for the last 90 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (f) a discount of approximately 38.7% to the audited consolidated equity attributable to the Ozner Shareholders of approximately HK\$1.68 per Ozner Share as at 31 December 2018 (based on the number of issued Ozner Shares as at 31 December 2018 and an exchange rate of: HK\$1 = RMB0.87620 as published by the People's Bank of China on 28 December 2018); and
- (g) a discount of approximately 39.4% to the unaudited consolidated equity attributable to the Ozner Shareholders of approximately HK\$1.70 per Ozner Share as at 30 June 2019 (based on the number of issued Ozner Shares as at 30 June 2019 and an exchange rate of: HK\$1 = RMB0.87966 as published by the People's Bank of China on 28 June 2019).

As set out above, the Subscription Price is lower than the (average) closing price of the Ozner Shares on the Last Trading Day and for the last 30, 60 and 90 trading days, with the discounts somewhat lower in respect of the longer term averages. Based on our discussion with the management of the Ozner Group, the proposal for the Subscription was first received in late August 2019, when the Ozner Share price was trading between approximately HK\$1.12 and HK\$1.23. Having considered that there was a significant surge in price of the Ozner

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Shares by approximately 10% to 20% from early October 2019 to the Last Trading Day, with no particular news announced by the Ozner Group, we consider that the longer term average market prices provide a more valid basis for calculating the discount.

7. Peers comparison

For the purpose of evaluating the Subscription Price against the ratings of Ozner’s listed peers, we have analysed the following listed companies (the “**Comparable Companies**”), with a business similar to that of the Ozner Group (i.e. manufacturing and sale of water purifiers, and deriving a majority of their revenue from water purification business, according to their latest published annual financial statements). As there are no such Comparable Companies that we could identify on the Stock Exchange, we have expanded, on a best effort basis, the search for Comparable Companies to companies listed on stock exchanges outside Hong Kong that can be identified on Bloomberg, and a total of 8 Comparable Companies were identified. Although the Comparable Companies may have target markets in other parts of the world, they are all principally engaged in the business of water purification business, and all fall within the above criteria. Based on the above, and the fact that no Comparable Company can be identified on the Stock Exchange, we are of the view that, on balance, the Comparable Companies should be used for the purpose of assessing the Subscription Price. In our view, the Comparable Companies set out below represent an exhaustive list of relevant comparable companies based on the criteria above, on a best effort basis:

Company name	Principal activities	Market capitalisation as at the Latest Practicable Date (HK\$ million) (Note 1)	Price to earnings ratio (“FY P/E Ratio”) (times) (Note 2)	Price to TTM earnings ratio (“TTM P/E Ratio”) (times) (Note 3)	Price to book ratio (“P/B Ratio”) (times) (Note 4)
Coway Co., Ltd (021240.KS) (“Coway”)	Mainly engaged in manufacturing and sales or rent of water purifiers and home appliances, construction of waste disposal facilities and other related businesses; Shares are listed on the Korea Stock Exchange	44,055	19.2	17.5	6.0
Cuckoo Homesys Co., Ltd. (284740.KS) (“Cuckoo”)	Mainly engaged in manufacturing kitchen appliances, producing and selling electric pressure cookers, dishwashers, blenders, water purifiers, and other products; Shares are listed on the Korea Stock Exchange	6,395	28.3	19.3	2.3
AquaVenture Holdings Limited (WAAS.US) (“AquaVenture”)	Mainly engaged in developing, and providing water purification, disinfection, and desalination solutions; Shares are listed on the New York Stock Exchange	5,279	N/A	N/A	1.7

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Company name	Principal activities	Market capitalisation as at the Latest Practicable Date (HK\$ million) (Note 1)	Price to earnings ratio ("FY P/E Ratio") (times) (Note 2)	Price to TTM earnings ratio ("TTM P/E Ratio") (times) (Note 3)	Price to book ratio ("P/B Ratio") (times) (Note 4)
Grupo Rotoplas SAB de CV (AGUA*. MM) ("Grupo Rotoplas")	Mainly engaged in providing individual and integrate solutions for water storage, flow and treatment in urban and rural areas; Shares are listed on the Mexican Stock Exchange	3,487	22.9	34.3	1.4
Nihon Trim Co., Ltd. (6788.JP) ("Nihon Trim")	Mainly engaged in manufacturing and marketing water purifiers; Shares are listed on the Tokyo Stock Exchange	2,966	33.0	28.9	2.3
Canature Health Technology Group Co Ltd (300272.CH) ("Canature Health")	Mainly engaged in developing, manufacturing and selling, among others, whole house water purifier, how house water softener and commercial purified water dispenser; Shares are listed on the Shenzhen Stock Exchange	3,004	7.8	28.8	2.3
Thiensurat PCL. (TSR.TB) ("Thiensurat")	Mainly engaged in manufacturing water purification systems for home and industrial use; Shares are listed on the Stock Exchange of Thailand	287	10.4	10.2	0.9
Fluxtek International Corp (7443.TT) ("Fluxtek") (Note 6)	Mainly engaged in developing and manufacturing water purification equipment and filters; Shares are listed on the Taiwan Stock Exchange	63	277.2	18.1	1.0
		<i>Mean</i>	20.3	22.4	2.2
		<i>Median</i>	21.1	19.3	2.0
		<i>Maximum</i>	33.0	34.3	6.0
		<i>Minimum</i>	7.8	10.2	0.9
Ozner Group at the Subscription Price		2,196 (Note 7)	18.8 (Note 8)	46.5 (Note 9)	0.6 (Note 10)

Source: Comparable Companies' public filings, Bloomberg

Notes:

- (1) For Thiensurat, being 9 December 2019, the day prior to the Latest Practicable Date, as 10 December 2019 is a national holiday in Thailand
- (2) Calculated by dividing the respective market capitalisation by the respective consolidated reported profits attributable to the ordinary shareholders, as extracted from the latest published annual financial statements

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- (3) *Calculated by dividing the respective market capitalisation by the respective consolidated TTM profits attributable to the ordinary shareholders, calculated based on the most recently published financial information extracted from the respective annual reports, interim reports and quarterly reports, as applicable*
- (4) *Calculated by dividing the respective market capitalisation by the respective consolidated NAV attributable to the ordinary shareholders, as extracted from the latest published financial statements*
- (5) *We consider OSG Corporation Co., Ltd. (“OSG”) (6757.JP) to be a Comparable Company as it falls under the above criteria. However, we note that the share price of OSG has increased by approximately 2.1 times since September 2019, from JPY749 per share on 2 September 2019 to JPY2,331 per share on the Latest Practicable Date. Based on the published financial information, the FY P/E Ratio and P/B Ratio of OSG were approximately 141.9 times and 6.7 times respectively, while the TTM P/E Ratio was not applicable given its loss making position during the TTM period. To avoid distortion of our analysis, we have excluded the relevant ratios of OSG as an outlier from the above table and the analysis below*
- (6) *We note that Fluxtek recorded marginal profit in its latest published annual financial statements with a FY P/E Ratio of approximately 277.2 times. To avoid distortion of our analysis, we have excluded the FY P/E Ratio of Fluxtek as an outlier from the above table and the analysis below*
- (7) *Calculated based on the Subscription Price of HK\$1.03 and 2,132,331,950 Ozner Shares in issue as at the Latest Practicable Date*
- (8) *Calculated by dividing the implied market capitalisation of the Ozner Group of approximately HK\$2,196 million (equivalent to approximately RMB1,973 million, based on an exchange rate of HK\$1 = RMB0.89831 on the Last Trading Day as published by Oanda) by the net profit attributable to the Ozner Shareholders of approximately RMB104.8 million in 2018, after excluding the aggregate fair value gains on derivative financial instruments and derivative component of convertible bonds, and the aggregate losses on disposal of items of property, plant and equipment, revenue generating assets and inventories, as well as related effects on tax and non-controlling interests*
- (9) *Calculated by dividing the implied market capitalisation of the Ozner Group of approximately HK\$2,196 million (equivalent to approximately RMB1,973 million, based on an exchange rate of HK\$1 = RMB0.89831 on the Last Trading Day as published by Oanda) by the TTM Adjusted Net Profit of approximately RMB46.5 million, after excluding the aggregate fair value gains on derivative financial instruments and derivative component of convertible bonds, and the aggregate losses on disposal of items of property, plant and equipment, revenue generating assets and inventories, as well as related effects on tax and non-controlling interests*
- (10) *Calculated by dividing the implied market capitalisation of the Ozner Group of approximately HK\$2,196 million (equivalent to approximately RMB1,973 million, based on an exchange rate of HK\$1 = RMB0.89831 on the Last Trading Day as published by Oanda) by the equity attributable to the Ozner Shareholders of approximately RMB3,192.1 million as at 30 June 2019*

Our general observations are as follows:

(i) FY P/E Ratio and TTM P/E Ratio

As set out in the table above, the FY P/E Ratio as represented by the Subscription Price is approximately 18.8 times, slightly lower than the mean and median FY P/E Ratio of the Comparable Companies of approximately 20.3 times and 21.1 times respectively, but well within the range of the FY P/E Ratio among the Comparable Companies between approximately 7.8 times and 33.0 times. For the purpose of reflecting the latest performance of the Ozner Group and the Comparable Companies, the TTM P/E Ratios of the Ozner Group

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and the Comparable Companies are also presented above, which shows an implied TTM P/E Ratio of approximately 46.5 times for the Ozner Group. The difference between the Ozner Group's FY P/E Ratio and TTM P/E Ratio, in our view, can be explained by the Ozner Group's deteriorating performance in the first half of 2019 after adjustments for fair value gains and gain or loss on disposals, further details of which are discussed in the section above headed "Financial information of the Ozner Group". We note such TTM P/E Ratio of approximately 46.5 times is higher than the range of the TTM P/E Ratio of the Comparable Companies.

(ii) *P/B Ratio*

The P/B Ratio of the Comparable Companies ranged from approximately 0.9 times to 6.0 times, with a mean and median of approximately 2.2 times and 2.0 times respectively. The P/B Ratio as represented by the Subscription Price of approximately 0.6 times is lower than the range of P/B Ratios of the Comparable Companies. However, we observe that Ozner operates its water purification business principally through the lease and service model, while AquaVenture, Grupo Rotoplas, Nihon Trim, Canature Health and Fluxtek are mainly engaged in the manufacturing and sale (instead of leasing) of water purification products, and may therefore have different asset and capital structure. On the other hand, Coway, Cuckoo and Thiensurat mainly offer lease or hire purchase of water purifiers to customers, which in our view is closer to the Ozner Group's business model. We note the P/B Ratio of Thiensurat of approximately 0.9 times is the lowest (together with Fluxtek) among the Comparable Companies, and is relatively closer to the P/B Ratio of the Ozner Group as represented by the Subscription Price, while the P/B Ratio of Coway of approximately 6.0 times is the highest among the Comparable Companies. Given the significant difference in P/B Ratios of Coway and Thiensurat, we consider the P/B Ratios of the Comparable Companies are less meaningful for our assessment of the Subscription Price.

8. Evaluation of the Subscription Price

As discussed in the section above headed "Analysis of historical price performance and liquidity of the Ozner Shares", the Subscription Price of HK\$1.03 per Subscription Share is lower than the (average) closing price of the Ozner Shares on the Last Trading Day and for the last 30, 60 and 90 trading days. In assessing the fairness and reasonableness of the Subscription Price, we have also taken into account a number of qualitative and quantitative factors, which are summarised below:

- (1) Haier Electronics was not interested in any Ozner Shares as stated in the Joint Announcement, and is a third party independent of both Ozner and connected persons of Ozner. On this basis, we can assume that the Subscription Price was determined based on arm's length negotiation between Ozner and Haier Electronics;
- (2) The debt level of the Ozner Group has been rising following various debt fund raising exercises in recent years to support its expansion strategy, leading to relatively high finance costs and a less-than-desirable capital structure. Particularly, there is a mis-match

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between the long-term nature of the Ozner Group's revenue generating assets (which are depreciated over a 10-year term) and the short-term nature of the Ozner Group's interest-bearing bank and other borrowings (over 80% of which are repayable within one year), which may create uncertainties to the future liquidity. As a result, we consider that a substantial equity issuance is required to reduce the Ozner Group's gearing and to shore up its liquidity position;

- (3) The robust financial position, substantial business scale, extensive distribution channels and industry expertise possessed by Haier Electronics are expected to benefit the Ozner Group's long-term development and further consolidate the Ozner Group's leading position in commercial water purification market (for example, through the use of 'Haier' brand and the potential injection of the Existing Competing Business by Haier Electronics to the Ozner Group), further details of which are set out in the section above headed "Reasons for and benefits of the Subscription"; and
- (4) The FY P/E Ratio as represented by the Subscription Price is within the range of the FY P/E Ratios of the Comparable Companies, and the TTM P/E Ratio as represented by the Subscription Price is higher than the range of the TTM P/E Ratios of the Comparable Companies.

On the above bases and given that the business operated by the Ozner Group is capital intensive in nature which requires continued financial support, despite substantial discounts to the historical Ozner Share prices, we consider the Subscription Price to be fair and reasonable.

9. Financial effects of the Subscription

As set out in the section headed "Use of proceeds" in the letter from the Ozner Board, the net proceeds from the Subscription will be approximately HK\$1.62 billion, or approximately RMB1,455.3 million (based on an exchange rate of HK\$1 = RMB0.89831 on the Last Trading Day as published by Oanda), which shall be used as follows:

- (i) approximately 60% (or approximately RMB873.2 million) will be used for repayment of debt with interest rates ranging from approximately 9.4% to 17.0% per annum which will become due before the end of 2020; and
- (ii) approximately 40% (or approximately RMB582.1 million) will be used for general working capital, of which it is intended that approximately 25% (or approximately RMB363.8 million) will be used for manufacturing and maintenance of water machines, approximately 5% (or approximately RMB72.8 million) will be used for sales and marketing, and approximately 10% (or approximately RMB145.5 million) will be used for other general working capital.

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Based on the unaudited financial position of the Ozner Group as set out in the 2019 Interim Report, immediately upon Closing, it is expected that the gearing ratio of the Ozner Group will be significantly improved, as set out in the table below for illustrative purpose:

	<i>RMB million</i>
Total debt of the Ozner Group as at 30 June 2019	A 2,326.9
Less: Net proceeds from the Subscription to be used for debt repayment	<u> (873.2)</u>
	B <u> 1,453.7</u>
Net assets of the Ozner Group as at 30 June 2019	C 3,367.7
Add: Net proceeds from the Subscription	<u> 1,455.3</u>
	D <u> 4,823.0</u>
Gearing of the Ozner Group as at 30 June 2019	A/C 69.1%
Gearing of the Ozner Group as improved by the Subscription	B/D 30.1%

In addition to the substantial improvement in gearing as illustrated above, the general working capital will be enhanced based on the proposed use of proceeds as explained above. Based on the bank balances and cash of the Ozner Group of approximately RMB506.2 million as at 30 June 2019, and the proposed replenishment of general working capital by approximately RMB582.1 million would be more than double the Ozner Group's cash position available to support increased working capital needs as Ozner's growth continues. The proposed credit line from Haier Electronics of up to RMB500 million will further strengthen the Ozner Group's financial resources.

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As set out in the 2019 Interim Report, the equity attributable to the Ozner Shareholder was approximately RMB3,192.1 million as at 30 June 2019 (equivalent to NAV per Ozner Share of approximately RMB1.50, based on a total of 2,132,331,950 Ozner Shares in issue as at 30 June 2019). As set out in the letter from the Ozner Board, immediately after Closing, 1,599,248,963 new Ozner Shares will be allotted and issued as the Subscription Shares. The following table sets out, for illustration purpose, the effect on the NAV per Ozner Share:

	<i>RMB million</i>
Equity attributable to the Ozner Shareholder as at	
30 June 2019	A 3,192.1
Add: Net proceeds to be raised from the Subscription	<u>1,455.3</u>
 Adjusted equity attributable to the Ozner Shareholder	 B 4,647.4
	<i>Number of Ozner Shares</i>
Number of Ozner Shares in issue as at 30 June 2019	C 2,132.3
Add: Number of Subscription Shares to be allotted and issued	<u>1,599.2</u>
Number of Ozner Shares upon Closing (assuming no change in the issued Ozner Shares before Closing)	D 3,731.5
 NAV per Ozner Share as at 30 June 2019	 A/C RMB1.50
 Adjusted NAV per Ozner Share	 B/D RMB1.25

As illustrated above, the Adjusted NAV per Ozner Share of approximately RMB1.25 represents a decrease of approximately 16.7% as compared to the NAV per Ozner Share as at 30 June 2019. However, the Ozner Share price has been trading largely below the NAV per Ozner Share since early March 2019. It follows that any equity fund raising exercise, which is customarily priced with reference to market and often involves a discount, would result in a certain level of dilution to NAV. We consider that Ozner should be valued in the future primarily by reference to its future prospects and earnings, in particular the potential benefits and future business cooperation under the management of the Subscriber, as further detailed in the section above headed “Prospects of the Ozner Group”. Consequently, we consider the decrease in NAV per Ozner Share to be acceptable, in light of the benefits of the Subscription as a whole as set out in this letter.

10. Whitewash Waiver — dilution effect on shareholdings

The following table sets out the shareholding structure of Ozner (a) as at the Latest Practicable Date and (b) immediately after Closing, assuming that there will be no change in the issued Ozner Shares before Closing other than the allotment and issue of the Subscription Shares. Details on (i)

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the effect arising from the Subscription on the shareholding structure of Ozner; and (ii) the accompanying notes to the shareholding table are set out in the section headed “Effect of the Subscription on the shareholding structure of Ozner” in the letter from the Ozner Board.

Ozner Shareholders	As at		Immediately after Closing	
	the Latest Practicable Date		Immediately after Closing	
	<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>
	<i>Ozner Shares</i>	<i>%</i>	<i>Ozner Shares</i>	<i>%</i>
		<i>(Note 3)</i>		<i>(Note 3)</i>
Subscriber Concert Group				
The Subscriber	—	—	1,599,248,963	42.86
SAIF Partners <i>(Note 1)</i>	334,857,000	15.70	334,857,000	8.97
Mr. Xiao and Mr. Xiao’s Related Entities <i>(Note 2)</i>	<u>791,048,150</u>	<u>37.10</u>	<u>791,048,150</u>	<u>21.20</u>
Subtotal	1,125,905,150	52.80	2,725,154,113	73.03
Other substantial shareholders of Ozner				
CICM <i>(Note 3)</i>	271,662,200	12.74	271,662,200	7.28
Ares	187,166,800	8.78	187,166,800	5.02
Watercube Holdings, L.L.C. (“Watercube”)	139,006,800	6.52	139,006,800	3.73
Ozner Directors (other than Mr. Xiao)	1,260,856	0.06	1,260,856	0.03
Other Public Ozner Shareholders	<u>407,330,144</u>	<u>19.10</u>	<u>407,330,144</u>	<u>10.92</u>
Total	2,132,331,950	100.00	3,731,580,913	100.00
Ozner Independent Shareholders				
<i>(Note 4)</i>	546,375,332	25.62	546,375,332	14.64

Notes:

- (1) SAIF Partners is presumed to be acting in concert with the Subscriber under classes (1) and (2) of the definition of “acting in concert” in the Takeovers Code
- (2) Following Closing, Mr. Xiao and Mr. Xiao’s Related Entities will be presumed to be acting in concert with the Subscriber under class (1) of the definition of “acting in concert” in the Takeovers Code
- (3) CICM is the general partner of Chongqing Zhongxinrongbang Investment Centre (Limited Partnership), which in turn is interested in the 2015 CB

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- (4) *As confirmed by the management of the Ozner Group, Ozner Independent Shareholders comprised (i) other Public Ozner Shareholders, (ii) Watercube, and (iii) ZHOU Guanxuan, an executive Ozner Directors, all of them have no material interest, or is otherwise interested or involved in the Subscription, the Specific Mandate, the Whitewash Waiver or the Strategic Committee Establishment. Notwithstanding the above, according to the letter from the Board, Watercube does not propose to vote on the relevant resolutions at the Ozner EGM, given that it is in the same group of companies as the financial adviser to Ozner in connection with the Subscription*
- (5) *The percentage figures may not add up to 100%, due to rounding adjustments*

As illustrated above, the shareholdings in Ozner held by the Ozner Independent Shareholders would be diluted from approximately 25.6% as at the Latest Practicable Date to approximately 14.6% immediately after Closing.

As a result of the Subscription, there will be substantial dilution to the shareholdings in Ozner held by the Ozner Independent Shareholders. However, having taken into account (i) the benefits to the Ozner Group from the Subscription, including the raising of a substantial amount of funds, and the anticipated business cooperation between the Ozner Group and the Haier Electronics Group, as set out in the section above headed “Reasons for and benefits of the Subscription”; (ii) that the Subscription Price is considered to be fair and reasonable as discussed in the section above headed “Evaluation of the Subscription Price”; and (iii) that the liquidity and financial position of the Ozner Group will be significantly improved immediately after Closing as discussed in the section above headed “Financial effects of the Subscription”, we consider that the dilution effect to the shareholdings in Ozner held by the Ozner Independent Shareholders as a result of the Subscription is acceptable.

11. Whitewash Waiver — Takeovers Code provisions

As set out in the section headed “Implications under the Takeovers Code” in the letter from the Ozner Board, immediately after Closing, the Subscriber and the Subscriber Concert Group (comprising at that time the Subscriber, SAIF Partners, Mr. Xiao and Mr. Xiao’s Related Entities) will be interested approximately 42.86% and 73.03% respectively of the issued share capital of Ozner as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no change in the issued Ozner Shares before Closing).

Pursuant to Rule 26.1 of the Takeovers Code, the acquisition of voting rights under such circumstances will trigger an obligation on the Subscriber (or the Subscriber Concert Group) to make the mandatory general offers for all the issued Ozner Shares and to make an appropriate offer under Rule 13 of the Takeovers Code for the other securities of Ozner (in each case other than those already owned or acquired by the Subscriber Concert Group), unless the Whitewash Waiver is granted by the Executive and approved by the Ozner Independent Shareholders. An application has been made to the Executive for the Whitewash Waiver.

Ozner Independent Shareholders should note that the Subscription is subject to the fulfilment or waiver (as applicable) of a number of Conditions as set out in the sub-section headed “Conditions of the Subscription” under the section headed “The Subscription Agreement” in the letter from the Ozner Board, including the granting by the Executive of the Whitewash Waiver and

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the approval by at least 75% of the votes cast by Ozner Independent Shareholders at the Ozner EGM for the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or is not approved by the Ozner Independent Shareholders, the Subscription will not complete unless such condition is waived by the Subscriber which is at the Subscriber's sole discretion. As at the Latest Practicable Date, the Subscriber had not determined whether or not to proceed with the Subscription if the above conditions are not fulfilled. If such condition is not waived by the Subscriber, the Subscription will not proceed. Otherwise, if such condition is waived by the Subscriber and Closing occurs, the Subscriber will be obliged to make the Possible Offer.

Having taken into consideration (i) the benefits to be derived by the Ozner Group from the Subscription as set out in the section above headed "Reasons for and benefits of the Subscription"; (ii) that the Subscription Price is considered to be fair and reasonable as discussed in the section above headed "Evaluation of the Subscription Price"; (iii) the granting of the Whitewash Waiver by the Executive, as one of the conditions to the Subscription, may only be waived at the Subscriber's sole discretion; and (iv) the degree of dilution to the Ozner Independent Shareholders as set out in the section above headed "Whitewash Waiver — dilution effect on shareholding" is considered acceptable, we are of the view that the Whitewash Waiver (the granting of which is one of the conditions of the Subscription) is fair and reasonable so far as the Ozner Independent Shareholders are concerned, and in the interests of Ozner and the Ozner Shareholders as a whole.

12. Special deal — the Strategic Committee Establishment

Subject to the Executive's consent and approval by the Ozner Independent Shareholders, the Strategic Committee will be established under the Ozner Board within 20 days after the Closing Date, with the objective of providing recommendations to the Ozner Board with respect to the development and implementation of Ozner's strategic plan. Details of the principles under the Strategic Committee Establishment are set out in the letter from the Ozner Board. The following paragraphs summarise such principles and our view on the Strategic Committee Establishment.

Formation and composition of the Strategic Committee

Each Ozner Shareholder holding 5% or more of the issued Ozner Shares immediately following Closing (except for the Subscriber) shall be entitled to nominate one person as a member of the Strategic Committee, and such appointment shall be subject to approval by the Ozner Board.

If any such Shareholder ceases to hold at least 5% of the issued Ozner Shares, then (i) any person nominated by such Shareholder will cease to be a member of the Strategic Committee, and (ii) such Shareholder can no longer nominate a person to be a member of the Strategic Committee.

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It is currently expected that there will initially be nine members of the Strategic Committee, including four members from Haier Electronics, four members from other eligible Ozner Shareholders (the “**Other Eligible Shareholders**”), and one independent non-executive Director. Based on the current shareholding structure, the composition of the Strategic Committee is expected to be as follows:

	Number of members to be nominated
Representatives of Haier Electronics	4
Mr. Xiao or his representative	1
Representative of SAIF Partners	1
Representative of CICM	1
Representative of Ares	1
An independent non-executive Director	<u>1</u>
<i>Total</i>	<u><u>9</u></u>

The Strategic Committee shall be dissolved after three years from the Closing Date, or if earlier, if no more than two of the eligible shareholders hold 5% or more of the issued Ozner Shares. Accordingly, the Strategic Committee will act as a transitional arrangement after Haier Electronics takes control of Ozner.

Role of the Strategic Committee

As disclosed in the letter from the Ozner Board, the Strategic Committee will have an advisory role and provide recommendations and comments to the Ozner Board to facilitate business strategy formulation for the consideration and approval by the Ozner Board. These include advice on technologies, product and distribution strategy, supplier and customer development, merger and acquisition strategy, and new business. In addition, the Strategic Committee is expected to provide recommendations to the Ozner Board on material acquisitions and disposals, winding-up of any member of the Ozner Group, annual budgets of Ozner and the Ozner Group, and any other matters which the Ozner Board believes relevant.

Strategic advice shall be approved by a majority of the members of the Strategic Committee before being put forward for the Ozner Board’s consideration and approval. In addition, each member shall be subject to the same confidentiality obligations and dealing restrictions as the Ozner Directors.

According to the letter from the Ozner Board, no member of the Strategic Committee shall receive any salary or remuneration by virtue of his or her service as a member of the Strategic Committee.

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Our comments

Although Haier Electronics has recently entered into the water purifier business through the acquisition of Qingdao Haishi, its business is focused on sales of household water purifiers. Following Closing and the change in control of Ozner, Haier Electronics may take time to gain additional industry knowledge and expertise in the commercial water purification market and the operation of the Ozner Group's lease and service model. In order for the future collaboration between the two groups to be successful, and for the potential synergies to be realised, we consider it reasonable for the future Ozner Board, during the initial years following the change in control, to obtain strategic advice from representatives of Ozner Shareholders who have been familiar with the Ozner Group longer than Haier Electronics, including the Other Eligible Shareholders. Their background is summarised as follows:

Other

Eligible Shareholders	Year of joining/ investing in Ozner	Remarks
Mr. Xiao	Founder of the Ozner Group's business	Mr. Xiao founded of the business of the Ozner Group in 2005, and is the inventor of several patented water purification technologies owned by the Ozner Group. He has over 15 years of experience in technology development, sales and market and strategic management
SAIF Partners	2010	SAIF Partners first invested in the Pre-IPO Group (as defined below) in 2010, at a consideration of approximately US\$15.8 million. According to its website, SAIF Partners (i) is an Asia private equity firm, currently managing over US\$4 billion in capital, and (ii) has a portfolio of investments in the sectors of, among others, medical and healthcare, clean technology and consumer products and services
CICM	2015	CICM first invested in Ozner through the subscription of the 2015 CB, at a consideration of HK\$465 million. According to its website, CICM was founded in 2011 and is an asset management company focusing on equity investments in listed companies. It has a portfolio of investments in the sectors of, among others, healthcare, manufacturing, and environmental protection

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Other

Eligible Shareholders	Year of joining/ investing in Ozner	Remarks
Ares	2011	Ares participated in the second round of equity fundraising of the Pre-IPO Group (as defined below) in 2011, at a consideration of approximately US\$30.4 million. The parent company of Ares, Ares Management Corporation, is a global alternative asset manager with approximately US\$144 billion in assets under management, according to its website, and a private equity segment that focused on minority growth equity investments in the PRC

As shown above, most of the Other Eligible Shareholders joined the Ozner Group before its reorganisation (the “**Pre-IPO Group**”) and listing in 2014. While it is natural for Haier Electronics to take seats in the Strategic Committee as the incoming controlling Shareholder, the Other Eligible Shareholders will also be able to provide strategic advice to the Ozner Board based on their experience of the Ozner Group.

The Strategic Committee will not advise on the Ozner Group’s day-to-day operation, but will only advise on long-term overall strategy in the areas as described above. In any event, the Strategic Committee will only serve as an advisory body to the Ozner Board, it is stated that the Strategic Committee’s recommendations shall not fetter the powers of the Ozner Board to consider and approve any such matter.

Having considered (i) the Strategic Committee will serve as an advisory body to allow the future Ozner Directors to take on board recommendations of existing significant Ozner Shareholders with deep experience of the Ozner Group, (ii) its limited scope of providing strategic proposals but not advise on day-to-day operation, (iii) no salary or remuneration will be payable to the members of the Strategic Committee, and (iv) its transitional nature with a maximum timeframe of three years, we consider the Strategic Committee Establishment to be fair and reasonable.

Ozner Shareholders should note that if the Strategic Committee Establishment is not approved by the Ozner Independent Shareholders at the Ozner EGM, or if the Executive does not consent to the Strategic Committee Establishment, Ozner and Haier Electronics will still proceed with the Subscription in the absence of the Strategic Committee Establishment, provided that all the Conditions are satisfied or waived (as applicable).

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DISCUSSION

Substantial equity financing required as a result of rapid expansion

Since Ozner's listing in 2014, it has undergone a rapid expansion on various fronts, including (i) expansion of production capacity and the actual production of water purifiers, (ii) expansion of distribution network, provision of support and collaboration with distributors, in the form of extended credit period, extension of loans and formation of joint ventures with distributors, and (iii) external acquisitions of industry players. This process has required substantial additional capital which the Ozner Group's operating cash flow has not been able to meet. The Ozner Group has been actively raising funds in recent years, principally by way of debt and to a lesser extent by way of equity, resulting in a high level of gearing and substantial finance cost. In our view, a substantial equity financing exercise is crucial to re-balance the capital structure of the Ozner Group, eliminate the uncertainties relating to debt repayment, and provide a secure source of funding its business growth in the long run.

Strategic benefits to be brought by Haier Electronics

Haier Electronics has a substantial business scale and the required financial resources to support the continued growth of Ozner. Its recent acquisition of Qingdao Haishi was the first step in its expansion in the water purification industry. The potential benefits to be brought by Haier Electronics, including the potential use of "Haier" brand and distribution channels, potential cost savings by way of bulk purchases, and potential expansion in product line and Haier Electronics' utilization of the Ozner Group's distribution channels, means that the Subscription is expected to provide not only capital but also synergistic benefits to the Ozner Group.

According to the Frost and Sullivan Report, the water purification business in the PRC will continue to grow, with the retail sales value attributable to water purifiers at commercial premises expected to increase at a compound annual growth rate of approximately 13.3% from 2018 to 2024. Ozner is expected to benefit from such continuous industry growth, with the assistance of Haier Electronics through the Subscription.

Terms of the Subscription

Approximately 1.6 billion new Ozner Shares will be issued to Haier Electronics for cash, representing approximately 42.9% of the enlarged issued Ozner Shares, at the per share Subscription Price of HK\$1.03. Closing is conditional upon fulfilment of certain Conditions including, among others, the Whitewash Waiver being approved by the Ozner Independent Shareholders and granted by the Executive. Should Haier Electronic elect to waive such Conditions and proceed with Closing, it will be obliged to make the Possible Offer as required under the Takeovers Code.

Before the Closing, Ozner agreed to obtain control in certain joint ventures with distributors, which are solely engaged in the distribution of the Ozner Group's products. Ozner and Haier Electronics entered into the Framework Agreement and the Brand Licence Agreement in relation to

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future business collaborations. Haier Electronics has provided a non-competition undertaking, and will seek to inject the Competing Business to Ozner within two years from the date of the Subscription Agreement. We consider that the above will further enhance the water purification business of the Ozner Group and its distribution channels.

The Subscription Price represents a discount to market but comparable to peers

The Subscription Price of HK\$1.03 represents discounts between approximately 19.5% to 24.8% to the average closing prices of 30, 60 and 90 trading days before the Joint Announcement. On the basis set out in the section above headed “Evaluation of the Subscription Price”, including but not limited to (i) the Subscription Price was determined based on arm’s length negotiation between Ozner and Haier Electronics as an independent third party, (ii) Ozner’s needs to raise substantial equity to reduce its gearing and to shore up its liquidity position, (iii) Haier Electronics’ robust financial position, substantial business scale, extensive distribution channels and industry expertise are expected to benefit Ozner’s long-term development, (iv) the price to earnings ratios as represented by the Subscription Price are within the range or higher than the rating of its industry peers, we consider that the Subscription Price is fair and reasonable.

Dilution to NAV and existing Ozner Shareholders but improvement to gearing and liquidity

The Subscription would lead to a dilution of the Ozner Group’s NAV per Ozner Share by approximately 16.7%, from approximately RMB1.50 based on the latest NAV of the Ozner Group as at 30 June 2019 to approximately RMB1.25. Shareholdings held by public Ozner Shareholders (other than the Subscriber Concert Group, the Ozner Directors and substantial Ozner Shareholders holding more than 5% of the Ozner Shares) will be diluted from approximately 19.1% to approximately 10.9%, which is a consequence of the share issuance to third parties. Nevertheless, the Ozner Independent Shareholders should consider the balance between the above dilution and the need of substantial equity financing and the benefits of an association with Haier Electronics. On this basis, we consider the dilution to NAV and in the percentage shareholding of existing Ozner Shareholders to be acceptable.

The Strategic Committee Establishment represents a transitional arrangement to provide recommendations, but not to dictate strategy

The Strategic Committee, initially expected to comprise four members from Haier Electronics, four members to be nominated by the Other Eligible Shareholders and one independent non-executive Director, has the objective of providing recommendations to the Ozner Board with respect to the development and implementation of Ozner’s strategic plan. It has a limited scope of providing proposals only on a strategic level, and a maximum timeframe of three years. Members of the Strategic Committee will not receive any salary or remuneration. We consider that the Strategic Committee, comprising Haier Electronic’s representatives and an experienced team having a long history with the Ozner Group, will assist the future Ozner Board during the transitional period under the control of Haier Electronics, without compromising the general decision-making power of the Ozner Board.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons which are summarised in the section above headed “Discussion”, we consider that (i) the Specific Mandate, the Whitewash Waiver, and the terms of the Subscription Agreement and the Strategic Committee Establishment are fair and reasonable so far as the Ozner Independent Shareholders are concerned; and (ii) the Subscriptions, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment are in the interests of the Ozner and the Ozner Shareholders as a whole.

Accordingly, we advise the Ozner Independent Board Committee to recommend, and we ourselves recommend, the Ozner Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Ozner EGM to approve the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
John Wong
Director

Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

FINANCIAL INFORMATION OF THE OZNER GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Ozner Group for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and Ozner (www.ozner.net).

Annual report for the year ended 31 December 2016 (pages 61 to 135):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0426/ltn20170426515.pdf>

Annual report for the year ended 31 December 2017 (pages 63 to 147):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0430/ltn20180430133.pdf>

Annual report for the year ended 31 December 2018 (pages 67 to 165):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291610.pdf>

Interim report for the six months ended 30 June 2019 (pages 29 to 80):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0927/ltn20190927329.pdf>

Summary of financial information of the Ozner Group

The following is a summary of (a) the audited consolidated results of the Ozner Group for each of the years ended 31 December 2016, 2017 and 2018; and (b) the unaudited consolidated results of the Ozner Group for the six months ended 30 June 2018 and 2019 as extracted from the relevant annual and interim reports:

	For the year ended 31 December			For the six months ended 30 June	
	2018	2017	2016	2019	2018
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,644,914	1,549,027	920,766	863,209	798,274
Profit before tax	196,016	286,088	265,983	127,308	113,822
Income tax expenses	(61,746)	(45,208)	(37,328)	(26,678)	(23,319)
Net profit for the year attributable to owners of Ozner	112,960	230,770	229,193	94,181	77,645
Net profit for the year attributable to non-controlling interests	21,310	10,110	(538)	6,449	12,858
Comprehensive income attributable to owners of Ozner	113,165	240,942	207,853	29,698	78,949
Comprehensive income attributable to non-controlling interests	21,310	10,110	(538)	6,449	12,858
Tax expense	(61,746)	(45,208)	(37,238)	(26,678)	(23,319)
The amount of dividends distributed to owners	23,242	46,035	46,035	N/A	N/A
Earnings per Ozner Share	5.45 cents	11.43 cents	13.31 cents	4.51 cents	3.77 cents
Dividends per Ozner Share	1.09 cents	2.25 cents	2.25 cents	N/A	N/A

There were no material items of income or expense in any of the years ended 31 December 2016, 2017 and 2018 or the six months ended 30 June 2018 and 2019.

The auditor of Ozner for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 was Ernst & Young. The audit/review opinions of Ernst & Young in respect of these periods were not qualified and there was no modified opinions or emphasis of matter or material uncertainty related to going concern contained in the auditor's report of Ernst & Young in respect of these periods.

INDEBTEDNESS

At the close of business on 30 September 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Ozner Group was as follows:

	As at 30 September 2019 (Unaudited) RMB'000
Current Portion	
Interest-bearing bank and other borrowings	1,525,063
Bank borrowings	657,503
Other borrowings	867,560
Finance lease payables	209,126
Lease liabilities	18,992
Total Current Debt	1,753,181
Non-Current Portion	
Interest-bearing bank and other borrowings	300,000
Other borrowings	300,000
Finance lease payables	50,088
Lease liabilities	14,730
Liability component of convertible bonds	556,592
Total Non-current Debt	<u>921,410</u>
Total	<u><u>2,674,591</u></u>

Save as set out above, and save for intra-group liabilities and normal trade payables in the ordinary course of business, as at 30 September 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Ozner Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

MATERIAL CHANGE

Between February 2017 and June 2018, Ozner invested an aggregate of HK\$242.5 million in six funds managed by 深圳市威廉金融控股有限公司 (Shenzhen City William Financial Holding Limited*) (“**SWF**”), each of which was an open-ended “principal plus interest protection” fund with an annualised interest rate of 8%–12%, payable upon full redemption. As part of the full redemption of three of the funds and partial redemption of one of the funds, Ozner received payments from SWF of HK\$24.0 million, HK\$25.0 million and HK\$31.5 million in July 2017, August 2017 and February 2018, respectively, by way of repayment of principal, and HK\$837,000, HK\$228,000, HK\$3.05 million, HK\$1.7 million and HK\$4.0 million in July 2017, August 2017, December 2017, February 2018 and September 2018, respectively, by way of payment of interest. As at the Latest Practicable Date, there remained outstanding HK\$162.0 million in principal plus accrued interest of HK\$12.9 million in aggregate under the three outstanding funds (the “**Outstanding Investment**”), all of which amounts are due and payable but have not been paid to Ozner. During the first half of 2019, it came to the attention of Ozner that the controlling shareholder of the holding company of SWF (China Create Financial Holding Group Co., Ltd. (中創金融控股集團有限公司) (“**China Create Financial**”)), Mr. Zhang Wei, had been arrested by the PRC authorities and an investigation was in progress. Ozner has been in contact with China Create Capital Limited, an affiliate of China Create Financial and the nominee entity in the name of which is the investment account into which the Outstanding Investment was transferred pursuant to the subscription agreements, in relation to the repayment arrangement of the Outstanding Investment. Ozner will continue to monitor the status of the situation to ascertain the recoverability of the Outstanding Investment. In the event that Ozner is unable to recover all or a portion of the Outstanding Investment, Ozner may record an impairment loss in this regard which, if materialised, may have a material adverse impact on its financial performance.

Save for the Subscription and as disclosed above, the Ozner Directors confirm that there was no material change in the financial or trading position or outlook of the Ozner Group between 31 December 2018, being the date to which the latest published audited financial statements of Ozner Group were made up, and the Latest Practicable Date.

RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Takeovers Code.

The Ozner Directors, namely XIAO Shu, ZHOU Guanxuan, TAN Jibin, LI Honggao, WANG Yonghui, WANG Duo, SUI Wei, GUI Songlei, LAU Tze Cheung Stanley, BAO Jiming, CHAN Yuk Sing Gilbert and GU Jiuchuan, jointly and severally accept full responsibility for the accuracy of information (other than that relating to the Subscriber Concert Group) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Haier Electronics Directors and the sole director of the Subscriber) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

As at the Latest Practicable Date, the executive Haier Electronics Directors were ZHOU Yun Jie (Chairman), XIE Ju Zhi (Chief Executive Officer) and LI Hua Gang; the non-executive Haier Electronics Directors were LIANG Hai Shan and YANG Guang; and the independent non-executive Haier Electronics Directors were YU Hon To, David, Eva CHENG LI Kam Fun, GONG Shao Lin and John Changzheng MA, and the sole director of the Subscriber was Mr NG Chi Yin. The Haier Electronics Directors and the sole director of the Subscriber jointly and severally accept full responsibility for the accuracy of the information relating to the Subscriber Concert Group contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by the Haier Electronics Directors and the sole director of the Subscriber in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

MARKET PRICES

The table below shows the closing price of the Ozner Shares as quoted by the Stock Exchange on: (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last day on which trading took place in each of the calendar months during the Relevant Period.

Date	Closing price per Ozner Share (HK\$)
2019	
30 April	1.59
31 May	1.26
28 June	1.28
31 July	1.22
30 August	1.23
30 September	1.27
31 October	1.49
1 November (i.e., Last Trading Day)	1.48
29 November	1.10
10 December (i.e., Latest Practicable Date)	1.01

The highest and lowest closing prices per Ozner Share recorded on the Stock Exchange during the Relevant Period were HK\$1.49 on 2 May 2019, 21 October 2019 and 31 October 2019, and HK\$1.01 on 10 December 2019, respectively.

SHARE CAPITAL OF OZNER

As at the Latest Practicable Date:

- (a) Ozner had an authorised share capital of 4,000,000,000 Ozner Shares;
- (b) Ozner had 2,132,331,950 Ozner Shares in issue (of which (i) 14,024,634 Ozner Shares were held by the trustee of the RSU Scheme in respect of RSUs which had been granted and were outstanding but which had not vested and (ii) a further 27,719,854 Ozner Shares were held by the trustee of the RSU Scheme for future grant of RSUs);
- (c) 155,124,964 Ozner Shares could be issued upon exercise of the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme (each as defined below);
- (d) 65,000,000 Ozner Shares could be issued upon exercise of the Share Options granted under the Share Option Scheme (each as defined below);
- (e) 247,329,788 Ozner Shares could be issued upon conversion of the 2015 CB (such number being subject to adjustment upon completion of the Subscription);
- (f) 105,911,330 Ozner Shares could be issued upon conversion of the 2018 CB (such number being subject to adjustment upon completion of the Subscription); and
- (g) save for the Pre-IPO Share Options, the Share Options, the RSUs, the 2015 CB and the 2018 CB detailed above, Ozner did not have any outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Ozner Shares.

All the issued Ozner Shares rank equally with each other in all respects including the rights in respect of capital, dividends and voting.

Further details of the Pre-IPO Share Option Scheme, Share Option Scheme, RSU Scheme, 2015 CB and 2018 CB are set out below.

Pre-IPO Share Option Scheme

The pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) was approved and adopted by the then sole Ozner Shareholder on 26 May 2014. The Pre-IPO Share Option Scheme was valid and effective for a period commencing from the date of its adoption and expiring on the listing date of Ozner, after which no further pre-IPO share options “**Pre-IPO Share Options**”) shall be granted but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Pre-IPO Share Options

granted prior thereto which are at that time or become thereafter capable of exercise under the Pre-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. The Pre-IPO Share Options which have been granted but not yet exercised shall continue to be exercisable in accordance with the Pre-IPO Share Option Scheme.

The purpose of the Pre-IPO Share Option Scheme is to incentivise and reward the eligible participants, being employees (whether full time or part-time) or directors of a member of the Ozner Group or associated companies of Ozner, for their contribution to the Ozner Group and to align their interests with that of Ozner so as to encourage them to work towards enhancing the value of the Ozner Group. The Pre-IPO Share Options remain exercisable for 10 years from the offer date of such Pre-IPO Share Options.

As at the Latest Practicable Date, the total number of Ozner Shares which may be issued pursuant to Pre-IPO Share Options was 155,124,964 Ozner Shares, representing approximately 7.27% of the issued share capital of Ozner as at the Latest Practicable Date, each of which has an exercise price of HK\$2.295 per Ozner Share. A consideration of HK\$1.00 was payable by each grantee on acceptance of the grant of Pre-IPO Share Options.

Share Option Scheme

The Share Option Scheme was approved and adopted on 26 May 2014 with implementation conditional on the listing of Ozner. At the annual general meeting of Ozner held on 27 May 2016, the Ozner Shareholders approved the refreshment of the scheme mandate limit for the Share Option Scheme and any other share option schemes of Ozner to 10% of the Ozner Shares in issue as at the date of the annual general meeting (the “**Refreshed Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of Ozner will not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit.

The Ozner Board may grant options under the Share Option Scheme to (i) employees (whether full time or part-time) or a director of a member of the Ozner Group or associated companies of Ozner; and (ii) a distributor or a full-time employee of any distributor of the Ozner Group or associated companies of Ozner, to incentivise and reward them for their contribution to the Ozner Group and to align their interests with that of Ozner so as to encourage them to work towards enhancing the value of the Ozner Group. Upon acceptance of the option, the grantee shall pay HK\$1.00 to Ozner as consideration for the grant. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the listing date (i.e. 17 June 2014). Unless approved by the Ozner Shareholders in a general meeting, the total number of Ozner Shares issued and to be issued upon the exercise of the Share Options (including exercised, cancelled and outstanding Share Options) in any 12-month period shall not exceed 1% of the relevant class of securities of Ozner in issue.

As at the Latest Practicable Date, the total number of Ozner Shares which may be issued pursuant to Share Options was 65,000,000 Ozner Shares, representing approximately 3.05% of the issued share capital of Ozner as at the Latest Practicable Date, each of which has an exercise price of HK\$2.45.

RSU Scheme

The Ozner Board approved the adoption of a RSU scheme (the “**RSU Scheme**”) on 7 December 2015. The persons eligible to receive RSUs under the RSU Scheme include any person who is: (i) an employee (whether full-time or part-time), a director (whether executive or non-executive, but excluding independent non-executive directors) or an officer of Ozner or any of Ozner’s subsidiaries or investee companies; (ii) any business or joint venture partner, distributor, supplier, service provider or agent of Ozner or any of Ozner’s subsidiaries or investee companies; or (iii) an employee (whether full-time or part-time) of any business or joint venture partner, distributor, supplier, service provider or agent of Ozner or any of Ozner’s subsidiaries or investee companies, in each case who the Ozner Board considers, in its sole discretion, has contributed or will contribute to Ozner or any of Ozner’s subsidiaries or investee companies.

A RSU gives a participant a conditional right when the RSU vests to obtain either Ozner Shares or an equivalent value in cash with reference to the market value of the Ozner Shares on or about the date of exercise of the RSUs, as determined by the Ozner Board in its absolute discretion. The Ozner Board may, at its absolute discretion, grant RSUs to any selected person on such terms and conditions, including without limitation vesting criteria and conditions, vesting schedule and/or lock-up period, as the Ozner Board thinks fit.

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Ozner Shares held by the trustee of the RSU Scheme for the purpose of the RSU Scheme from time to time. Unless the Ozner Board otherwise decides, the total number of all Ozner Shares held by the trustee under the RSU Scheme must at all times be less than 10% of the number of issued Ozner Shares from time to time. Pursuant to the RSU Scheme, the trustee shall not exercise the voting rights in respect of any Ozner Shares held by it under the RSU Scheme. Unless terminated earlier in accordance with the RSU Scheme rules, the RSU Scheme will be valid and effective for a period of 10 years commencing from 7 December 2015. The grantees of the RSUs are not required to pay for the grant of any RSUs under the RSU Scheme or for the exercise of the RSUs.

As at the Latest Practicable Date, (i) 14,024,634 Ozner Shares, representing approximately 0.66% of the issued share capital of Ozner as at the Latest Practicable Date, were held by the trustee of the RSU Scheme in respect of RSUs which had been granted and were outstanding but which had not vested and (ii) a further 27,719,854 Ozner Shares, representing approximately 1.3% of the issued share capital of Ozner as at the Latest Practicable Date, were held by the trustee of the RSU Scheme for future grant of RSUs.

2015 CB

Ozner issued the 2015 CB on 6 November 2015 (the “**2015 CB Issue Date**”) in an aggregate principal amount of HK\$465,000,000. The coupon interest rate is 5% per annum, payable semi-annually in arrears. The holders of the 2015 CB have the option to convert the 2015 CB into Ozner Shares at an initial conversion price of HK\$2.25 per share (subject to adjustments) at any time on or after the 41st day after the 2015 CB Issue Date up to the close of business on the 10th day prior to the fifth anniversary of the 2015 CB Issue Date (the “**2015 CB Maturity Date**”) (both days inclusive). The conversion price was adjusted to HK\$1.91 per share on 1 December 2016 and was further adjusted to HK\$1.88 per share on 13 July 2018. The bond holders are entitled to require Ozner to redeem the 2015 CB in case of the occurrence of any of the events of default as stipulated in the 2015 CB subscription agreement. Unless previously converted or cancelled, each 2015 CB will be redeemed at 100% of the principal amount outstanding on the 2015 CB Maturity Date.

2018 CB

Ozner issued the 2018 CB on 2 November 2018 (the “**2018 CB Issue Date**”) in an aggregate principal amount of HK\$215,000,000. The coupon interest rate is 6.8% per annum, payable semi-annually in arrears. The holders of the 2018 CB have the option to convert the 2018 CB into Ozner Shares at an initial conversion price of HK\$2.03 per share (subject to adjustments) at any time during the period commencing from 13 December 2018 up to 3:00 p.m. on the 10th day prior to 2 November 2021 (the “**2018 CB Maturity Date**”) (both days inclusive). The 2018 CB is redeemable at the option of the bond holders upon the occurrence of any of the events of default as stipulated in the 2018 CB subscription agreement. Unless previously redeemed, converted or purchased and cancelled, each 2018 CB will be redeemed at 105% of the principal amount together with unpaid accrued interest on the 2018 CB Maturity Date.

DISCLOSURE OF INTERESTS**(a) Interests of Ozner Directors in securities of Ozner**

As at the Latest Practicable Date, the interests and short positions of the Ozner Directors and chief executive in the shares, underlying shares and debentures of Ozner or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to Ozner and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register

referred to therein; or (iii) which were required to be notified to Ozner and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules; or (iv) which were required to be disclosed under the Takeovers Code, were as follows:

I. Long positions in Ozner Shares:

Name of Director	Long/short positions	Nature of interest	Number of ordinary Shares	Percentage of the Ozner Shares
Mr. Xiao	Long position	Founder of discretionary trusts ⁽¹⁾	786,850,150	36.90%
	Long position	Beneficial owner	<u>4,198,000</u>	<u>0.20%</u>
	Sub-total		<u>791,048,150</u>	<u>37.10%</u>
Mr. LI Honggao		Beneficial owner	420,096	0.02%
Mr. TAN Jibin		Beneficial owner	385,900	0.02%
Mr. WANG Yonghui		Beneficial owner	416,472	0.02%
Mr. ZHOU Guanxuan		Beneficial owner	<u>38,388</u>	<u>0.00%</u>
Total			<u>792,309,006</u>	<u>37.16%</u>

Notes:

- (1) These 786,850,150 Ozner Shares comprise 341,820,000 Ozner Shares held by Baida Holdings Limited, 62,182,200 Ozner Shares held by Lion Rise Holdings Limited, 382,847,950 Ozner Shares held by the Glorious Shine Holdings Limited. Baida Holdings Limited, Lion Rise Holdings Limited and Glorious Shine Holdings Limited are wholly-owned by Baida Capital Limited, Lion Rise Capital Limited and Glorious Shine Capital Limited under the Xiao Family I Trust, the Xiao Family II Trust and the Xiao Family III Trust, respectively. Each of the Xiao Family I Trust, the Xiao Family II Trust and the Xiao Family III Trust is a discretionary trust established by Mr. Xiao (as the settlor) and the discretionary beneficiaries of which include Mr. Xiao and certain of his family members. Accordingly, Mr. Xiao is deemed to be interested in these 786,850,150 Ozner Shares.

II. Long positions in Ozner share options and RSUs:

Name of Director	Number of options directly beneficially owned and RSUs	Approximate percentage of shareholding
Mr. Xiao	103,086,706	4.83%
Mr. LI Honggao	8,189,311	0.38%
Mr. TAN Jibin	12,501,334	0.59%
Mr. WANG Yonghui	3,404,657	0.16%
Mr. ZHOU Guanxuan	<u>3,105,616</u>	<u>0.15%</u>
Total	<u><u>130,287,624</u></u>	<u><u>6.11%</u></u>

Save as disclosed above, as at the Latest Practicable Date, none of the Ozner Directors nor the chief executive of Ozner had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of Ozner and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to Ozner and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify Ozner and the Stock Exchange pursuant to the Model Code; or (iv) which were required to be disclosed under the Takeovers Code.

(b) Substantial Ozner Shareholders' interests in Ozner Shares and underlying Ozner Shares as at the Latest Practicable Date

Name	Long/Short Positions	Notes	Nature of interest	Number of Shares held	Percentage of Ozner's issued share capital ⁽⁹⁾
Standard Chartered Trust (Singapore) Limited	Long position	(1)	Trustee of a trust	786,850,150	36.90%
SCTS Capital Pte. Ltd.	Long position	(1)	Nominee for another person	786,850,150	36.90%
Glorious Shine Holdings Limited	Long position	(8)	Beneficial owner	382,847,950	17.95%
Glorious Shine Capital Limited	Long position	(8)	Interest in a controlled corporation	382,847,950	17.95%
Baida Holdings Limited	Long position	(2)	Beneficial owner	341,820,000	16.03%
Baida Capital Limited	Long position	(2)	Interest in a controlled corporation	341,820,000	16.03%
SAIF Partners IV L.P.	Long position	(3)	Beneficial owner	334,857,000	15.70%

Name	Long/Short Positions	Notes	Nature of interest	Number of Shares held	Percentage of Ozner's issued share capital ⁽⁹⁾
SAIF IV GP, L.P.	Long position	(3)	Interest in a controlled corporation	334,857,000	15.70%
SAIF IV GP Capital Ltd.	Long position	(3)	Interest in a controlled corporation	334,857,000	15.70%
Mr. Andrew Yan YAN	Long position	(3)	Interest in a controlled corporation	334,857,000	15.70%
Mr. XIE Zhikun	Long position	(4)	Interest in a controlled corporation	518,991,988	24.25%
China Innovative Capital Management Co., Ltd	Long position	(4)	Interest in a controlled corporation	518,991,988	24.25%
Beijing Zhonghaijiacheng Capital Management Co., Ltd	Long position	(4)	Interest in a controlled corporation	518,991,988	24.25%
Chongqing Innovative Investment Co. Ltd.	Long position	(4)	Beneficial owner	82,806,000	3.88%
Tibet Zhongxin Ruiyin Investment Management Co., Ltd. (西藏中新睿銀投資管理有限公司)	Long position	(4)	Interest in a controlled corporation	247,329,788	11.60%
Chongqing Zhongxinrongbang Investment Centre (Limited partnership)	Long position	(4)	Beneficial owner	247,329,788	11.60%
Shenzhen Qianhai China Innovative Capital Management Co., Ltd	Long position	(4)	Interest in a controlled corporation	188,856,200	8.86%
Hong Kong China Innovative Capital Management Co., Ltd	Long position	(4)	Beneficial owner	188,856,200	8.86%
Ares FW Holdings, L.P.	Long position	(5)	Beneficial owner	187,166,800	8.78%
ACOF Asia GP, Ltd.	Long position	(5)	Interest in a controlled corporation	187,166,800	8.78%
ACOF Asia Management, L.P.	Long position	(5)	Interest in a controlled corporation	187,166,800	8.78%
Ares Management (Cayman), Ltd.	Long position	(5)	Interest in a controlled corporation	187,166,800	8.78%

Name	Long/Short Positions	Notes	Nature of interest	Number of Ozner Shares held	Percentage of Ozner's issued share capital ⁽⁹⁾
Watercube Holdings, L.L.C.	Long position	(6)	Beneficial owner	139,006,800	6.52%
GS Direct, L.L.C.	Long position	(6)	Interest in a controlled corporation	139,006,800	6.52%
Goldman, Sachs & Co.	Long position	(6)	Interest in a controlled corporation	139,006,800	6.52%
The Goldman, Sachs & Co. L.L.C.	Long position	(6)	Interest in a controlled corporation	139,006,800	6.52%
The Goldman Sachs Group, Inc.	Long position	(6) &(7)	Interest in a controlled corporation	151,604,800	7.11%

Notes:

- (1) Standard Chartered Trust (Singapore) Limited, the trustee of the Xiao Family I Trust, the Xiao Family II Trust and the Xiao Family III Trust, holds the entire issued share capital of Baida Capital Limited, Lion Rise Capital Limited and Glorious Shine Capital Limited through SCTS Capital Pte. Ltd. (as nominee for Standard Chartered Trust (Singapore) Limited). Baida Capital Limited, Lion Rise Capital Limited and Glorious Shine Capital Limited in turn hold the entire issued share capital of Baida Holdings Limited, Lion Rise Holdings Limited and Glorious Shine Holdings Limited, respectively. Baida Holdings Limited, Lion Rise Holdings Limited and Glorious Shine Holdings Limited hold 341,820,000 Ozner Shares, 62,182,200 Ozner Shares and 382,847,950 Ozner Shares, respectively. Each of the Xiao Family I Trust, the Xiao Family II Trust and the Xiao Family III Trust is a discretionary trust established by Mr. Xiao (as the settlor) and the discretionary beneficiaries of which include Mr. Xiao and certain of his family members. Accordingly, each of Mr. Xiao, Standard Chartered Trust (Singapore) Limited and SCTS Capital Pte. Ltd. is deemed to be interested in the aggregate number of 786,850,150 Ozner Shares held by Baida Holdings Limited, Lion Rise Holdings Limited and Glorious Shine Holdings Limited, respectively.
- (2) The entire issued share capital of Baida Holdings Limited is held by Baida Capital Limited. Accordingly, Baida Capital Limited is deemed to be interested in the 341,820,000 Ozner Shares held by Baida Holdings Limited.
- (3) SAIF Partners IV L.P. is a limited partnership fund established in the Cayman Islands whose sole general partner is SAIF IV GP, L.P., a limited partnership established in the Cayman Islands. The sole general partner of SAIF IV GP, L.P. is SAIF IV GP Capital Ltd., an exempted limited liability company incorporated in the Cayman Islands, which is wholly-owned and controlled by Mr. Andrew Yan YAN. Accordingly, each of SAIF IV GP, L.P., SAIF IV GP Capital Ltd. and Mr. Andrew Yan YAN is deemed to be interested in the 334,857,000 Ozner Shares held by SAIF Partners IV L.P..
- (4) These 518,991,988 Ozner Shares consist of (i) 247,329,788 Shares in which Chongqing Zhongxinrongbang Investment Centre (Limited partnership) is interested (representing the maximum number of Ozner Shares which may be issued by Ozner based on the adjusted conversion price of HK\$1.88 per Ozner Share for 2015 CB, where no 2015 CB have been converted into Ozner Shares as of the Latest Practicable Date); (ii) 82,806,000 Ozner Shares in which Chongqing Innovative Investment Co., Ltd. is interested and (iii) 188,856,200 Shares in which Hong Kong China Innovative Capital Management Co., Ltd is interested. Tibet Zhongxin Ruiyin Investment Management Co., Ltd. (西藏中新睿銀投資管理有限公司), being the general

partner of Chongqing Zhongxinrongbang Investment Centre (Limited partnership), is wholly-owned by China Innovative Capital Management Co., Ltd. which is in turn owned as to 80% by Beijing Zhonghaijiacheng Capital Management Co., Ltd., a company owned as to 99% by Mr. XIE Zhikun. Hong Kong China Innovative Capital Management Co., Ltd is wholly-owned by Shenzhen Qianhai China Innovative Capital Management Co., Ltd, which is in turn wholly-owned by China Innovative Capital Management Co., Ltd. By virtue of the SFO, each of Mr. XIE Zhikun, China Innovative Capital Management Co., Ltd and Beijing Zhonghaijiacheng Capital Management Co., Ltd. is deemed to be interested in the aggregate number of 518,991,988 Shares in which Tibet Zhongxin Ruiyin Investment Co., Ltd., Chongqing Zhongxinrongbang Investment Centre (Limited partnership), Chongqing Innovative Investment Co., Ltd., Hong Kong China Innovative Capital Management Co., Ltd and Shenzhen Qianhai China Innovative Capital Management Co., Ltd are interested.

- (5) Ares FW Holdings, L.P. is an exempted limited partnership organized and existing under the laws of the Cayman Islands and is 100% controlled by ACOF Asia GP Ltd. which in turn is 100% controlled by ACOF Asia Management, L.P. and which in turn is 100% controlled by Ares Management (Cayman), Ltd. Accordingly, each of ACOF Asia GP Ltd., ACOF Asia Management, L.P. and Ares Management (Cayman), Ltd. is deemed to be interested in the 187,166,800 Ozner Shares held by Ares FW Holdings, L.P..
- (6) Watercube Holdings, L.L.C. is a limited liability company organized under the laws of Delaware. GS Direct, L.L.C., a limited liability company organized under the laws of Delaware, is the managing member of Watercube Holdings L.L.C. and owns 80.1% of the voting interest in Watercube Holdings L.L.C. Goldman, Sachs & Co., a limited partnership organized under the laws of New York, is the managing member of GS Direct, L.L.C. The Goldman, Sachs & Co. L.L.C., a limited liability company organized under the laws of Delaware, is the general partner of Goldman, Sachs & Co. The Goldman Sachs Group, Inc., a corporation organized under the laws of Delaware, holds (i) 100% voting interests of The Goldman, Sachs & Co. L.L.C.; (ii) 99.8% voting interests of Goldman, Sachs & Co.; and (iii) 100% non-voting interests of GS Direct, L.L.C. The Goldman Sachs Group, Inc. is listed on the New York Stock Exchange. Accordingly, each of GS Direct, L.L.C., Goldman, Sachs & Co., The Goldman, Sachs & Co. L.L.C. and The Goldman Sachs Group, Inc. is deemed to be interested in the 139,006,800 Ozner Shares held by Watercube Holdings, L.L.C..
- (7) Goldman Sachs International is a wholly-owned subsidiary of Goldman Sachs Group UK Limited, which is a wholly-owned subsidiary of Goldman Sachs (UK) L.L.C.. Goldman Sachs (UK) L.L.C. is a wholly-owned subsidiary of The Goldman Sachs Group, Inc.. By virtue of the SFO, The Goldman Sachs Group, Inc. is deemed to be interested in the 12,598,000 Ozner Shares held by Goldman Sachs International.
- (8) The entire issued share capital of the Glorious Shine Holdings Limited is held by Glorious Shine Capital Limited. By virtue of the SFO, Glorious Shine Capital Limited is deemed to be interested in the 382,847,950 Ozner Shares held by the Glorious Shine Holdings Limited.
- (9) As at the Latest Practicable Date, Ozner had 2,132,331,950 Ozner Shares in issue.

DISCLOSURES REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (a) save as set out in the section headed “Effect of the Subscription on the Shareholding Structure of Ozner” in the Letter from the Ozner Board in this circular and the section headed “Disclosure of Interests” in this Appendix II, neither Haier Electronics nor any other member of the Subscriber Concert Group held, owned, controlled or had direction over any Ozner Shares, outstanding options, warrants or any securities that are convertible into Ozner Shares or any derivatives in respect of the securities in Ozner, or held any relevant securities in Ozner;

- (b) there were no relevant securities in Ozner which Haier Electronics or any other member of the Subscriber Concert Group had borrowed or lent;
- (c) neither Haier Electronics nor any other member of the Subscriber Concert Group had received any irrevocable commitment to vote for or against the proposed resolutions approving the Subscription, the Specific Mandate, the Whitewash Waiver or the Strategic Committee Establishment at the Ozner EGM;
- (d) there was no arrangement (whether by way of option, indemnity or otherwise) as referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the relevant securities of Ozner or Haier Electronics which might be material to the Subscription or the Whitewash Waiver, with any other persons;
- (e) there was no arrangement or agreement to which Haier Electronics or any other member of the Subscriber Concert Group is a party which relates to the circumstances in which Haier Electronics may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription or the Whitewash Waiver;
- (f) save for the consideration paid for the issuance of the Subscription Shares, there was no consideration, compensation or benefit in whatever form paid or to be paid by any member of the Subscriber Concert Group to any other Ozner Shareholder and/or any party acting in concert with it;
- (g) save for the Strategic Committee Establishment, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any member of the Subscriber Concert Group on the one hand, and any Ozner Shareholder and/or party acting in concert with it on the other hand;
- (h) save for the Strategic Committee Establishment, there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Ozner Shareholder, and (ii)(a) any member of the Subscriber Concert Group, or (b) Ozner, its subsidiaries or associated companies;
- (i) other than entering into the Subscription Agreement, no member of the Subscriber Concert Group had acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in Ozner or dealt for value in any relevant securities of Ozner in the Relevant Period;
- (j) there was no agreement, arrangement or understanding (including any compensation arrangement) between any member of the Subscriber Concert Group with any of the Ozner Directors, recent Ozner Directors, Ozner Shareholders or recent Ozner Shareholders having any connection with or dependence upon the outcome of the Subscription, the Specific Mandate and/or the Whitewash Waiver;

- (k) there were no benefits given or to be given to any Ozner Directors as compensation for loss of office or otherwise in connection with the Subscription, the Specific Mandate and the Whitewash Waiver;
- (l) there was no agreement or arrangement between any Ozner Directors and any other person which is conditional on or dependent upon the outcome of the Subscription, the Specific Mandate and the Whitewash Waiver or otherwise connected therewith;
- (m) no material contract had been entered into by the Subscriber in which any Ozner Director has a material personal interest;
- (n) Ozner did not hold any relevant securities in Haier Electronics and had not dealt for value in any relevant securities in Haier Electronics in the Relevant Period;
- (o) save as set out in the shareholding structure table in the section headed “Effect of the Subscription on the Shareholding Structure of Ozner” in the Letter from the Ozner Board in this circular and the section headed “Disclosure of Interests” in this Appendix II, no Ozner Director was interested in any relevant securities of Ozner and none of them had dealt for value in any relevant securities of Ozner in the Relevant Period;
- (p) no Ozner Director had any interest in any relevant securities of Haier Electronics and none of them had dealt for value in any relevant securities of Haier Electronics in the Relevant Period;
- (q) save as set out in the shareholding structure table in the section headed “Effect of the Subscription on the Shareholding Structure of Ozner” in the Letter from the Ozner Board in this circular, no (i) subsidiary of Ozner, (ii) pension fund of Ozner or any of its subsidiaries, or (iii) person who is presumed to be acting in concert with Ozner by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of Ozner by virtue of class (2) of the definition of “associate” in the Takeovers Code (but excluding exempt principal traders and exempt fund managers), held any relevant securities of Ozner, and none of them had dealt for value in any relevant securities of Ozner in the Relevant Period;
- (r) there were no relevant securities in Ozner which Ozner or any of the Ozner Directors had borrowed or lent;
- (s) the Ozner Directors intend, in respect of their own beneficial shareholdings, to vote in favour of the resolutions to be proposed at the Ozner EGM which they are permitted to vote on. As disclosed in the “Letter from the Ozner Board” in this circular, Mr. Xiao, Mr. Tan Jibin, Mr. Li Honggao and Mr. Wang Yonghui will abstain from voting on the relevant resolutions to be proposed to the Ozner Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Strategic Committee Establishment in accordance with the Takeovers Code; and

- (t) the registered office of Haier Electronics was at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Ozner Directors or proposed Ozner Directors had entered into any service contracts with Ozner or any subsidiary or associated company of Ozner which (a) (including continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; or (c) are fixed term contracts with more than 12 months to run irrespective of the notice period.

LITIGATION

As at the Latest Practicable Date, neither Ozner nor any other Ozner Group Company was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was, so far as the Ozner Directors were aware, pending or threatened by or against any Ozner Group Company.

MATERIAL CONTRACTS

During the two years preceding the date of the Joint Announcement and up to the Latest Practicable Date, the Ozner Group entered into the following contracts, not being contracts entered into in the ordinary course of business of the Ozner Group carried on or intended to be carried on by the Ozner Group, and which are, or may be, material:

- (a) the Subscription Agreement;
- (b) the Framework Agreement between Ozner and Haier Electronics dated 2 November 2019;
- (c) the Brand Licence Agreement; and
- (d) Capital Increase Agreement and the Supplemental Capital Increase Agreement among the Fund, Shaanxi Haoze, Shaanxi Haoze Environmental Protection Technology Group Co., Ltd. (陝西浩澤環保科技集團有限公司) and Hong Kong Haoze International Group Co., Ltd. (香港浩澤國際集團有限公司) dated 1 September 2019, pursuant to which the Fund committed to invest RMB300 million in Shaanxi Haoze for 7.12% of newly allotted equity interest in Shaanxi Haoze.

EXPERT QUALIFICATIONS AND CONSENTS

The following is the qualification of the expert which has given opinions and recommendations which are included in this circular:

Name	Qualification
Somerley Capital Limited	a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley Capital Limited did not have any direct or indirect shareholding in any member of the Ozner Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Ozner Group, or any interest, direct or indirect, in any asset which had been acquired, disposed of by or leased to any member of the Ozner Group, or was proposed to be acquired, disposed of by or leased to any member of the Ozner Group, since 31 December 2018, being the date to which the latest published audited financial statements of Ozner were made up.

Somerley Capital Limited has given its written consent and has not withdrawn its written consent to the issue of this circular with the inclusion of its recommendations, opinions, letter and/or references to its name in the form and context in which they respectively appear.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:30 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal place of business of Ozner in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong; (ii) on the website of Ozner (www.ozner.net); and (iii) on the website of the Securities and Futures Commission (www.sfc.hk) from the date of this circular up to and including the date of the Ozner EGM:

- (a) the Subscription Agreement;
- (b) the memorandum and articles of association of Ozner;
- (c) the memorandum and articles of association of the Subscriber;
- (d) the annual reports of Ozner for the years ended 31 December 2017 and 2018;
- (e) the interim report of Ozner for the six months ended 30 June 2019;
- (f) the letter from the Ozner Board, the text of which is set out on pages 8 to 37 of this circular;
- (g) the letter from the Ozner Independent Board Committee, the text of which is set out on pages 38 to 39 of this circular;

- (h) the letter of advice from the Independent Financial Adviser to the Ozner Independent Board Committee and the Ozner Independent Shareholders, the text of which is set out on pages 40 to 85 of this circular;
- (i) the written consent referred to in the section headed “Expert Qualifications and Consents” in this Appendix II;
- (j) the material contracts referred to in the section headed “Material Contracts” in this Appendix II; and
- (k) this circular.

The above documents have been uploaded to the websites of the Securities and Futures Commission at www.sfc.hk and Ozner at www.ozner.net from the date of this circular and will be available up to (and including) the date of the Ozner EGM in accordance with Notes 1 and 2 to Rule 8 of the Takeovers Code.

GENERAL

The English text of this circular shall prevail over its Chinese text in case of inconsistencies.

OZNER 浩澤
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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**Ozner EGM**”) of Ozner Water International Holding Limited (“**Ozner**”) will be held at Unit 502–503a, Level 5, Core C, Cyberport 3, 100 Cyberport Road, Pok Fu Lam, Hong Kong on Tuesday, 7 January 2020 at 9:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions. Words and expressions that are not expressly defined in this notice of general meeting shall bear the same meaning as that defined in the shareholder circular issued by Ozner dated 13 December 2019 (the “**Circular**”).

ORDINARY RESOLUTIONS FOR OZNER INDEPENDENT SHAREHOLDERS

“THAT:

- (a) the issuance of 1,599,248,963 new ordinary shares of HK\$0.01 each in the share capital of Ozner (the “**Subscription Share(s)**”) to Haier Electronics Group Co., Ltd. (or such direct or indirect wholly-owned subsidiary of Haier Electronics Group Co., Ltd.) (the “**Subscriber**”) for a subscription price of HK\$1.03 per Subscription Share pursuant to the subscription agreement between Ozner and Haier Electronics Group Co., Ltd. dated 1 November 2019 (the “**Subscription Agreement**”), a copy of which has been produced to the Ozner EGM and marked “A” and initialled by the chairman of the Ozner EGM for the purpose of identification, together with any other transactions contemplated under the Subscription Agreement, be and are hereby approved;
- (b) the board (the “**Board**”) of directors (the “**Director(s)**”) of Ozner be and is hereby granted with a specific mandate to allot and issue the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement;
- (c) subject to the passing of the ordinary resolutions lettered (a) and (b), as well as the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and fulfilment of any conditions that may be imposed thereon, the waiver (the “**Whitewash Waiver**”) of the obligation on the part of the Subscriber (or the Subscriber Concert Group) to make a mandatory general offer for all the issued ordinary shares of HK\$0.01 each in the share capital of Ozner and other securities in Ozner (other than those already owned or agreed to be acquired by the Subscriber Concert Group) which might otherwise arise as a result of the subscription for the Subscription Shares

NOTICE OF OZNER EGM

under the Subscription Agreement pursuant to Note 1 on dispensations from Rule 26 of The Code on Takeovers and Mergers, the Whitewash Waiver be and is hereby approved; and

- (d) subject to the passing of the ordinary resolutions lettered (a) and (b) and Closing occurring, the establishment of the Strategic Committee effective within 20 days after Closing be and is hereby approved.”

ORDINARY RESOLUTIONS FOR OZNER SHAREHOLDERS

“THAT:

- (i) the issuance of the Subscription Shares to the Subscriber for a subscription price of HK\$1.03 per Subscription Share pursuant to the Subscription Agreement, together with any other transactions contemplated under the Subscription Agreement, be and are hereby approved;
- (ii) the Board be and is hereby granted with a specific mandate to allot and issue the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement;
- (iii) subject to the passing of ordinary resolutions numbered (i) and (ii) and Closing occurring, the appointment of Mr. XIE Ju Zhi as a non-executive Director be and is hereby approved effective upon: (A) if the ordinary resolutions lettered (a), (b) and (c) are approved, Closing; or (B) if one or more of the ordinary resolutions lettered (a), (b) and (c) is/are not approved, the later of (x) Closing and (y) the earliest time as may be allowed under the Takeovers Code;
- (iv) subject to the passing of ordinary resolutions numbered (i) and (ii) and Closing occurring, the appointment of Mr. HUANG Xiao Wu as a non-executive Director be and is hereby approved effective upon: (A) if the ordinary resolutions lettered (a), (b) and (c) are approved, the Closing; or (B) if one or more of the ordinary resolutions lettered (a), (b) and (c) is/are not approved, the later of (x) Closing and (y) the earliest time as may be allowed under the Takeovers Code;
- (v) subject to the passing of ordinary resolutions numbered (i) and (ii) and Closing occurring, the appointment of Mr. QU Gui Nan as an executive Director be and is hereby approved effective upon: (A) if the ordinary resolutions lettered (a), (b) and (c) are approved, the Closing; or (B) if one or more of the ordinary resolutions lettered (a), (b) and (c) is/are not approved, the later of (x) Closing and (y) the earliest time as may be allowed under the Takeovers Code;
- (vi) subject to the passing of ordinary resolutions numbered (i) and (ii) and Closing occurring, the appointment of Mr. ZHANG Zhongming as a non-executive Director be and is hereby approved effective upon: (A) if the ordinary resolutions lettered (a), (b)

NOTICE OF OZNER EGM

and (c) are approved, the Closing; or (B) if one or more of the ordinary resolutions lettered (a), (b) and (c) is/are not approved, the later of (x) Closing and (y) the earliest time as may be allowed under the Takeovers Code;

(vii) subject to the passing of ordinary resolutions numbered (i) and (ii) and Closing occurring, the appointment of Mr. ZHENG Jian Ping as a non-executive Director be and is hereby approved effective upon: (A) if the ordinary resolutions lettered (a), (b) and (c) are approved, the later of (x) Closing and (y) 1 January 2020; or (B) if one or more of the ordinary resolutions lettered (a), (b) and (c) is/are not approved, the later of (x) Closing, (y) 1 January 2020 and (z) the earliest time as may be allowed under the Takeovers Code; and

(viii) any Director be and is hereby authorised to do such acts and things, to sign and execute all such further documents (including under seal, as applicable) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement, the Whitewash Waiver or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waiver of any of the matters relating thereto or in connection therewith.”

By Order of the Ozner Board
Ozner Water International Holding Limited
XIAO Shu
Chairman and Chief Executive Officer

Hong Kong, 13 December 2019

Registered office:
190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

Corporate headquarters:
No. 60 Guiqiao Road
Pudong New District
Shanghai
The People's Republic of China

Principal place of business in Hong Kong:
31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

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Notes:

- (1) An Ozner Shareholder entitled to attend and vote at this meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be an Ozner Shareholder.
- (2) The form of proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- (3) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of Ozner in respect of such share shall alone be entitled to vote in respect thereof.
- (4) If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
- (5) The form of proxy, together with any power of attorney or other authority under which the form of proxy is signed or a notarially certified copy of that power or authority, shall be deposited at the office of Ozner's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Ozner EGM or any adjournment thereof and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude shareholders from attending and voting in person at this meeting (or any adjourned meeting thereof) should they so wish.
- (6) The registers of members of Ozner (both the principal register in the Cayman Islands and the Hong Kong branch register) will be closed from 1 January 2020 to 7 January 2020, both days inclusive, during which period no transfer of Ozner Shares will be registered. In order to qualify for attending and voting at the Ozner EGM, Ozner Shareholders are reminded to ensure that all share transfer documents accompanied by the relevant share certificates are lodged for registration with the Cayman Islands principal registrar, Intertrust Corporate Services (Cayman) Limited at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands, or the Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 31 December 2019. The record date for determining Ozner Shareholders' eligibility to attend and vote at the Ozner EGM will be on 31 December 2019.
- (7) "Ozner Independent Shareholders" are Ozner Shareholders other than the Subscriber Concert Group (including, as at the Latest Practicable Date, the Subscriber and SAIF Partners IV L.P.), and those Ozner Shareholders who are involved or interested in the Subscription.