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OZNER WATER INTERNATIONAL HOLDING LIMITED

浩澤淨水國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2014)

CONNECTED AND DISCLOSEABLE TRANSACTION

IN RELATION TO

DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY UNDER CAPITAL INCREASE AGREEMENT

THE CAPITAL INJECTION AGREEMENT

On 14 August 2020 (after trading hours), Shanghai Haoze Water Purification (a wholly-owned subsidiary of the Company), Foshan Lepuda (an indirect non-wholly owned subsidiary of the Company), the Investor and Mr. Peng (a connected person of the Company at the subsidiary level) entered into the Capital Injection Agreement, pursuant to which the Investor has agreed to make cash investment of RMB25.0 million in Foshan Lepuda (RMB2,380,952 of which shall be used as the registered capital of Foshan Lepuda and RMB22,619,048 of which shall be used as the capital reserve of Foshan Lepuda). Upon completion of the Capital Injection, the proportion of equity interests in Foshan Lepuda owned by Shanghai Haoze Water Purification, Mr. Peng and the Investor will be approximately 47.2%, 45.4% and 7.4%, respectively.

THE VOTING RIGHTS ASSIGNMENT AGREEMENT

On 14 August 2020 (after trading hours), the Investor and Shanghai Haoze Water Purification, among others, also entered into the Voting Rights Assignment Agreement, pursuant to which the Investor has agreed to authorize Shanghai Haoze Water Purification, as permitted by applicable law, to vote on its behalf and exercise full voting rights at its full discretion as a shareholder of Foshan Lepuda without prior consultation or consent by the Investor after the completion of the Capital Injection. As such, Foshan Lepuda's financial results will continue to be consolidated into the financial statements of the Group and hence Foshan Lepuda will continue to be a subsidiary of the Company.

LISTING RULE IMPLICATIONS

As at the date of this announcement, Foshan Lepuda is held as to 51.0% by Shanghai Haoze Water Purification and 49.0% by Mr. Peng. Upon completion of the Capital Injection, the equity interest held by Shanghai Haoze Water Purification in Foshan Lepuda will be diluted from 51.0% to approximately 47.2%. Therefore, the transaction contemplated under the Capital Injection Agreement constitutes a deemed disposal of the Group's equity interest in Foshan Lepuda under Rule 14.29 of the Listing Rules. Foshan Lepuda's financial results will continue to be consolidated into the financial statements of the Group by virtue of the Voting Rights Assignment Agreement and hence Foshan Lepuda will continue to be a subsidiary of the Company. As one of the applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Capital Injection exceeds 5% but is less than 25%, the transaction contemplated under the Capital Injection Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, the Investor is a limited partnership which is solely managed and controlled by its general partner, Mr. Bin Li, who is an Independent Third Party. Accordingly, the Investor is an Independent Third Party. Mr. Peng is a substantial shareholder of Foshan Lepuda, an indirect non-wholly owned subsidiary of the Company. Accordingly, Mr. Peng is a connected person of the Company at the subsidiary level. Based on the foregoing, the Capital Injection constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since (i) Mr. Peng is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Capital Injection Agreement, the Voting Rights Assignment Agreement and their transactions contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the Capital Injection Agreement and the Voting Rights Assignment Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole (despite the Capital Injection not being in the ordinary and usual course of business of the Group), the Capital Injection is only subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

INTRODUCTION

On 14 August 2020 (after trading hours), Shanghai Haoze Water Purification (a wholly-owned subsidiary of the Company), Foshan Lepuda (an indirect non-wholly owned subsidiary of the Company), the Investor and Mr. Peng (a connected person of the Company at the subsidiary level) entered into the Capital Injection Agreement, pursuant to which the Investor has agreed to make cash investment of RMB25.0 million in Foshan Lepuda (RMB2,380,952 of which shall be used as the registered capital of Foshan Lepuda and RMB22,619,048 of which shall be used as the capital reserve of Foshan Lepuda).

THE CAPITAL INJECTION AGREEMENT

The principal terms of the Capital Injection Agreement are set out as follows:

Date

14 August 2020 (after trading hours)

Parties

- (i) Shanghai Haoze Water Purification, as a shareholder holding 51.0% equity interest in Foshan Lepuda as at the date of this announcement and before the completion of the Capital Injection;
- (ii) Gongqing City Lehui Investment Center (Limited Partnership) (共青城樂匯投資中心(有限合夥)), as the Investor;
- (iii) Mr. Peng, as a shareholder holding 49.0% equity interest in Foshan Lepuda as at the date of this announcement and before the completion of the Capital Injection; and
- (iv) Foshan Lepuda.

Capital Injection

As at the date of this announcement, the registered capital of Foshan Lepuda is RMB30.0 million, of which RMB3.643 million and RMB3.5 million were subscribed and contributed by Shanghai Haoze Water Purification and Mr. Peng, respectively.

Pursuant to the Capital Injection Agreement, the Investor has agreed to make cash investment of RMB25.0 million in Foshan Lepuda (RMB2,380,952 of which shall be used as the registered capital of Foshan Lepuda and RMB22,619,048 of which shall be used as the capital reserve of Foshan Lepuda). The Investor shall contribute RMB25.0 million in cash to the capital of Foshan Lepuda within 3 days after the execution of the Capital Injection Agreement.

Basis of determining the amount of the Capital Injection

The cash consideration was determined after arm's length negotiations among Shanghai Haoze Water Purification, Mr. Peng and the Investor after taking into consideration of the book value of Foshan Lepuda and the fact that the Investor will not acquire any voting rights in relation to the Capital Injection.

The percentage of equity interest in Foshan Lepuda owned by Shanghai Haoze Water Purification, Mr. Peng and the Investor, respectively, before and after the Capital Injection are set out below:

	Before the Capital Injection		After the Capital Injection	
	Registered capital (RMB)	% of equity interest in Foshan Lepuda %	Registered capital (RMB)	Approximate % of equity interest in Foshan Lepuda %
Shanghai Haoze Water Purification	15,300,000	51.0	15,300,000	47.2
Mr. Peng	14,700,000	49.0	14,700,000	45.4
The Investor	—	—	2,380,952	7.4
Total	<u>30,000,000</u>	<u>100.0</u>	<u>32,380,952</u>	<u>100.0</u>

Corporate Governance

The composition of the board of directors of Foshan Lepuda and the voting mechanism at the shareholders' meeting of Foshan Lepuda shall remain unchanged after the Capital Injection.

THE VOTING RIGHTS ASSIGNMENT AGREEMENT

The principal terms of the Voting Rights Assignment Agreement are set out as follows:

Date

14 August 2020 (after trading hours)

Parties

- (i) Shanghai Haoze Water Purification, as a shareholder holding 51.0% equity interest in Foshan Lepuda as at the date of this announcement and before the completion of the Capital Injection;
- (ii) Gongqing City Lehui Investment Center (Limited Partnership) (共青城樂匯投資中心(有限合夥)), as the Investor;
- (iii) Mr. Peng, as a shareholder holding 49.0% equity interest in Foshan Lepuda as at the date of this announcement and before the completion of the Capital Injection; and
- (iv) Foshan Lepuda.

Pursuant to the Voting Rights Assignment Agreement, Shanghai Haoze Water Purification is authorized, as permitted by applicable law, to vote on the Investor's behalf and exercise full voting rights at its full discretion as a shareholder of Foshan Lepuda without prior consultation or consent by the Investor after the completion of the Capital Injection. The Voting Rights Assignment Agreement and the authorization thereunder shall be valid for as long as the Investor holds its equity interest in Foshan Lepuda.

FINANCIAL EFFECT OF THE DEEMED DISPOSAL AND USE OF PROCEEDS

Upon completion of the Capital Injection, Foshan Lepuda will be held as to approximately 47.2% by Shanghai Haoze Water Purification, 45.4% by Mr. Peng and 7.4% by the Investor. However, by reason of the fact that the Investor has authorized Shanghai Haoze Water Purification to vote on the Investor's behalf and exercise full voting rights at its full discretion as a shareholder of Foshan Lepuda without prior consultation or consent by the Investor and that Shanghai Haoze Water Purification will maintain control over the board composition and management of the affairs of Foshan Lepuda, it is expected that the financial results of Foshan Lepuda will continue to be consolidated into the financial statements of the Group and hence Foshan Lepuda will continue to be a subsidiary of the Company. As such, subject to further audit procedures to be performed by the auditors of the Company, it is expected that the Group will not recognize any gain or loss on the Deemed Disposal.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The proceeds from the Capital Injection will be used to strengthen the liquidity position of Foshan Lepuda. The Board is of the view that the cash inflow from the Capital Injection will increase the financial flexibility of Foshan Lepuda, which would in turn enhance the Group's capability in seizing future development and investment opportunities.

Having regard to the reasons and benefits mentioned above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Injection Agreement and the Voting Rights Assignment Agreement, which have been reached after arm's length negotiations among the parties, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Foshan Lepuda is held as to 51.0% by Shanghai Haoze Water Purification and 49.0% by Mr. Peng. Upon completion of the Capital Injection, the equity interest held by Shanghai Haoze Water Purification in Foshan Lepuda will be diluted from 51.0% to approximately 47.2%. Therefore, the transaction contemplated under the Capital Injection Agreement constitutes a deemed disposal of the Group's equity interest in Foshan Lepuda under Rule 14.29 of the Listing Rules. Foshan Lepuda's financial results will continue to be consolidated into the financial statements of the Group by virtue of the Voting Right Assignment Agreement and hence Foshan Lepuda will continue to be a subsidiary of the Company. As one of the applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Capital Injection exceeds 5% but is less than 25%,

the transaction contemplated under the Capital Injection Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, the Investor is a limited partnership which is solely managed and controlled by its general partner, Mr. Bin Li, who is an Independent Third Party. Accordingly, the Investor is an Independent Third Party. Mr. Peng is a substantial shareholder of Foshan Lepuda, an indirect non-wholly owned subsidiary of the Company. Accordingly, Mr. Peng is a connected person of the Company at the subsidiary level. Based on the foregoing, the Capital Injection constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since (i) Mr. Peng is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Capital Injection Agreement, the Voting Rights Assignment Agreement and their transactions contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the Capital Injection Agreement and the Voting Rights Assignment Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole (despite the Capital Injection not being in the ordinary and usual course of business of the Group), the Capital Injection is only subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

INFORMATION ABOUT THE PARTIES INVOLVED IN THE TRANSACTIONS

Information about the Company and Shanghai Haoze Water Purification

The Company is incorporated in the Cayman Islands as an exempted company with limited liability, the Shares are listed on the Main Board of the Stock Exchange. The Group is a leading water purification service provider in China.

Shanghai Haoze Water Purification is a company incorporated in the PRC with limited liability and is a direct wholly-owned subsidiary of the Company. Shanghai Haoze Water Purification is primarily engaged in the provision of water purifying services.

Information about Foshan Lepuda

Foshan Lepuda is a company incorporated in the PRC with limited liability and is an indirect non-wholly-owned subsidiary of the Company held as to 51.0% by Shanghai Haoze Water Purification and 49.0% by Mr. Peng as at the date of this announcement and before the completion of the Capital Injection.

Foshan Lepuda Group specializes in the research and development, manufacturing and sale of various types of micro motor products.

Set out below is the consolidated financial information of the Foshan Lepuda Group for the two years ended 31 December 2018 and 2019:

	Year ended 31 December	
	2018	2019
	(unaudited)	(unaudited)
	(RMB'000)	(RMB'000)
Profit before taxation	27,418	6,036
Profit after taxation	23,827	3,900

According to the unaudited management accounts of Foshan Lepuda as of 31 December 2019, the consolidated total assets and net assets of the Foshan Lepuda Group was RMB449.0 million and RMB78.6 million, respectively.

Information about Mr. Peng

Mr. Peng is involved in the business of the research and development, manufacturing and sale of micro motor products. Mr. Peng holds 49.0% equity interest in Foshan Lepuda as at the date of this announcement and before the completion of the Capital Injection and hence is a connected person of the Company at the subsidiary level.

Information about the Investor

The Investor is a limited partnership established in China in the PRC on 15 April 2020. The Investor is controlled by its general partner, Mr. Bin Li, who has the sole voting power in managing the Investor. The principal business of the Investor includes investment management, equity investment, venture capital, corporate investment, asset management, investment consulting services and project planning.

As at the date of this announcement, none of the Directors has a material interest in the transactions contemplated under the Capital Injection Agreement and Voting Rights Assignment Agreement and has abstained from voting on the Board resolutions to approve the Capital Injection Agreement and Voting Rights Assignment Agreement.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Capital Injection”	the cash investment by the Investor in the amount of RMB25.0 million to the capital of Foshan Lepuda pursuant to the Capital Injection Agreement (of which RMB2,380,952 shall be used as the registered capital of Foshan Lepuda and RMB22,619,048 shall be used as the capital reserve of Foshan Lepuda)
“Capital Injection Agreement”	a capital injection agreement dated 14 August 2020 and entered into among Shanghai Haoze Water Purification, Mr. Peng, the Investor and the Foshan Lepuda in relation to the Capital Injection
“China” or “PRC”	the People’s Republic of China
“Company”	Ozner Water International Holding Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deemed Disposal”	the deemed disposal of equity interest in Foshan Lepuda by Shanghai Haoze Water Purification to the Investor as a result of the Capital Injection
“Director(s)”	the director(s) of the Company
“Foshan Lepuda”	Foshan Lepuda Motor Co., Ltd* (佛山市順德區樂普達電機有限公司), a company established in the PRC with limited liability
“Foshan Lepuda Group”	Foshan Lepuda and its subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party(ies)”	person(s) and or company(ies) and their respective ultimate beneficial owner(s), who/which to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons as defined under the Listing Rules
“Investor”	Gongqing City Lehui Investment Center (Limited Partnership) (共青城樂匯投資中心(有限合夥)), a limited partnership established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Mr. Peng”	Mr. Peng Dongkun, a shareholder of Foshan Lepuda holding 49.0% equity interest as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Haoze Water Purification”	Shanghai Haoze Water Purification Technology Development Co., Ltd.* (上海浩澤淨水科技發展有限公司), a limited company incorporated in the PRC and direct wholly-owned by the Company
“Share(s)”	the ordinary share(s) with par value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Subsidiary(ies)”	(a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person
“Voting Rights Assignment Agreement”	a voting rights assignment agreement dated 14 August 2020 and entered into, among others, by Shanghai Haoze Water Purification and the Investor
“%”	per cent

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

Hong Kong, 14 August 2020

As at the date of this announcement, the executive Directors are XIAO Shu, ZHOU Guanxuan, TAN Jibin and LI Honggao; and the independent non-executive Directors are LAU Tze Cheung Stanley, BAO Jiming, CHAN Yuk Sing Gilbert and GU Jiuchuan.

* *The English translations of the Chinese names of the PRC entities are provided for identification purposes only.*