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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)

DISCLOSEABLE TRANSACTION

FINANCE LEASE AGREEMENT

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The Board announces that on 27 May 2016, Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology (as vendors and lessees) on the one hand and Qinghui (as purchaser and lessor) on the other hand entered into the Finance Lease Agreement, pursuant to which Qinghui has agreed to purchase the Leased Assets from Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology at a total purchase price of RMB75,000,000 and to lease back the Leased Assets to Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology for a term of two years from the Lease Commencement Date, subject to the terms and conditions of the Finance Lease Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreement are 5% or more but all of them are less than 25%, the Finance Lease Agreement constitutes a discloseable transaction of the Company and is therefore subject to the announcement requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 27 May 2016, Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology (as vendors and lessees) on the one hand and Qinghui (as purchaser and lessor) on the other hand entered into the Finance Lease Agreement, pursuant to which Qinghui has agreed to purchase the Leased Assets from Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology at a total purchase price of RMB75,000,000 and to lease back the Leased

Assets to Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology for a term of two years from the Lease Commencement Date, subject to the terms and conditions of the Finance Lease Agreement.

FINANCE LEASE AGREEMENT

The principal terms of the Finance Lease Agreement are set out as follows:

Date

27 May 2016

Parties

- (1) Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology (as vendors and lessees)
- (2) Qinghui (as purchaser and lessor)

Each of Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology is a wholly-owned subsidiary of the Company and is principally engaged in the provision of water purification services in the PRC.

Qinghui is a company established in the PRC and is principally engaged in the provision of finance leasing, leasing, investment and consultancy services. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, Qinghui and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Sale and Leaseback

Pursuant to the Finance Lease Agreement, Qinghui has agreed to:

- (i) purchase the Leased Assets from Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology at a total purchase price of RMB75,000,000, representing the principal amount under the Finance Lease Agreement, which shall be payable by Qinghui to Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology in cash; and
- (ii) lease back the Leased Assets to Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology for a term of two years commencing from the Lease Commencement Date.

Lease Payment

The total lease payment payable by Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology under the Finance Lease Agreement consists of the principal amount of RMB75,000,000 (i.e. the purchase price paid by Qinghui) plus interest payment at a fixed rate of 9% per annum. The total lease payment under the Finance Lease Agreement is estimated to be approximately RMB82,800,000. Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology shall settle the lease payment in cash in nine instalments on a quarterly basis.

In addition, Shanghai Haoze Water Purification shall pay to Qinghui a consultancy fee of RMB1,500,000 before the Lease Commencement Period for the consultancy services provided by Qinghui in relation to the finance lease arrangements.

Leased Assets

The Leased Assets consist of approximately 100,000 water purifying machines owned by the Group.

Based on the audited consolidated financial statements of the Company as at 31 December 2015, the book value of the Leased Assets as at 31 December 2015 was approximately RMB157,900,000.

Ownership of the Leased Assets

Upon payment of purchase price by Qinghui under the Finance Lease Agreement, the ownership of the Leased Assets shall be passed to Qinghui. Actual delivery of the Leased Assets by Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology to Qinghui is not required while Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology shall have the appropriate rights to possess, manage and use of the Leased Assets.

Upon expiry of the Finance Lease Agreement and subject to the due performance of their obligations under the Finance Lease Agreement, Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology are entitled to repurchase the Leased Assets from Qinghui at a nominal price of RMB100.

Guarantee

Pursuant to the Finance Lease Agreement, the Company shall provide a joint liability guarantee in favour of Qinghui of the liabilities and obligations of Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology under the Finance Lease Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The Company is an investment holding company. The principal activities of the Group are the provision water purification services and air sanitization services.

The Group sources end users mainly through its network of third party distributors. When a new end user places an order for the Group's water purification services with a distributor, the Group's local service team will deliver and install the water purifying machine for the end user. The distributor will charge an annual service fee from the end user at the rates agreed between the distributor and the end user. At the same time, the Group will charge an annual leasing fee to the principal distributor at the rate fixed in the Group's pricing policies.

The Company considers the transactions contemplated under the Finance Lease Agreement to be beneficial to the Group as the Group could obtain additional working capital on reasonable terms to support its business and operational activities while at the same time maintaining the appropriate rights over the Leased Assets and enjoying the income generated by the Leased Assets, which the Company considers will strengthen the cash flow of the Group.

The terms of the Finance Lease Agreement, including the lease payment and the interest rate, were arrived at after arm's length negotiation between the parties with reference to the value of the Leased Assets and the prevailing terms for comparable finance leases. The Directors consider that the terms of the Finance Lease Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“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 Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to such term under the Listing Rules
“Director(s)”	the director(s) of the Company
“Finance Lease Agreement”	the finance lease agreement dated 27 May 2016 and entered into between Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology (as vendors and lessees) on the one hand and Qinghui (as purchaser and lessor) on the other hand
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Lease Commencement Date”	the date on which the purchase price for the Leased Assets is paid by Qinghui to Shanghai Haoze Water Purification and Shaanxi Haoze Environmental Technology pursuant to the Finance Lease Agreement
“Leased Assets”	approximately 100,000 water purifying machines owned by the Group
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Qinghui”	慶匯租賃有限公司 (Qinghui Leasing Co., Ltd.*), a company established in the PRC, a party to the Finance Lease Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shaanxi Haoze Environmental Technology”	陝西浩澤環保科技發展有限公司 (Shaanxi Haoze Environmental Technology Development Co., Ltd.*), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company, a party to the Finance Lease Agreement

“Shanghai Haoze Water Purification”

上海浩澤淨水科技發展有限公司 (Shanghai Haoze Water Purification Technology Development Co., Ltd.*), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company, a party to the Finance Lease Agreement

“%”

per cent.

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

Hong Kong, 27 May 2016

As at the date of this announcement, the executive Directors are Xiao Shu, Zhu Mingwei, He Jun, Tan Jibin and Xiao Lilin; the non-executive Directors are Ng Benjamin Jin-Ping, He Sean Xing and Wang Haitong; and the independent non-executive Directors are Zhou Guanxuan, Gu Jiuchuan, Chan Yuk Sing Gilbert and Lau Tze Cheung Stanley.

* *for identification purposes only*