

a letter from the CEO to our Global Business Partners

## **STAY TOGETHER & LOOK TOWARDS A COMMON BRIGHT FUTURE**

Date: 23 FEB, 2021

Dear Partners,

It has now been more than a year since we have last seen each other and exchanged glances and views. Despite the challenges we have experienced over the past 12 months, we have grown together and become stronger.

However, thanks to the latest developments in research and healthcare, the worst is now behind us.

I always like to repeat that as Homa, we place a lot of importance on our partnerships, and our goal is to be "your supplier of choice".

So once again, I would like to draw your attention to the recent developments in Homa.

### **POSITIVE BUSINESS PERFORMANCE IN 2020**

Although the pandemic has brought consequences on all our international markets, we have still managed to grow the business. We have reported a sound and healthy turnover of 8.3 Bio CNY (16.1% over 2019) and sales volume of 11.0 Mio units (17.3% over 2019). These are record numbers in Homa history. We are very proud that all global customers appreciate our leading-edge products and services.

Our 2021 budget is to increase sales volume to 13.0 Mio units and a turnover to 10.0 Bio CNY. We are confident to attain our goals with your support.

### **THE 2021/2022 HUGE INVESTMENT PLAN**

We are building our new No-Frost district (Factory No.8 & Factory No.9), representing a paramount investment of more than 1.2 Bio CNY.

The No-Frost district will be up and running by March 2022 and produce additional 3.0 Mio units per year, bringing total output by then to 16 Mio units, thus consolidating our OEM/ODM global leadership.

### **UNCHANGED SPIRIT**

The new normal is in front of us. We will firmly stick to our current business model and strategy and serve our clients' needs and aspirations as we have always done.

We will continue to develop products with meaningful, game-changing innovation and state of the art design.

Our vision is to become the best producer in cooling industry. Our mission is to produce cooling appliance with the most competitive way.

## **HOMA HOLDING SHAREHOLDING STRUCTURE CHANGE**

As you have known, our parent company Homa Holding Co., Ltd. (HHL), has experienced substantial financial distress in 2018, deriving from the P2P investment.

In the past two years, this was addressed by HHL by spinning off non-core assets, thus improving the financial position.

In October 2020, HHL announced a capital increase initiative in the form of a private placement. A new shareholder, Beihai Qingyun Technology Co., Ltd. (BQT) agreed to buy 30% of HHL new equity by paying 1.2 billion CNY. This deal is awaiting final approval by the stock exchange authority.

Meanwhile, since January 2021, a private company Huizhou TCL Household Electric Appliance Co., Ltd. (HTHEA), has gradually purchased 10% share of HHL from stock market.

The above moves changed the shareholder structure of HHL.

The primary shareholders and actual beneficial owners may be within Mr. Guodong Zhao (>12% today), BQT (30% if approved by authority) and HTHEA (>10% today).

## **HOMA APPLIANCES STILL AN INDEPENDENT, SELF-GOVERNING SUBSIDIARY**

Please note, the above new shareholder structure of HHL, does not impact Homa Appliances Co. Ltd. (HAC). As per HAC Articles of Association:

- HAC is entirely independent of its parent company HHL regarding governance, management, operations and treasury.
- to manage changes in the HAC board, 66% of share is needed.

Since 2015, HAC has been spun off from HHL and kept independent.

We are technically an independent subsidiary of HHL.

In February 2020, the Homa Appliances Founding Members acquired a 39% HAC stake from parent company HHL to strengthen HAC's independence further.

Because of the successful business of HAC, the local government also keep 10% stake as a pure financial investor.

Today HAC's shareholders are HHL (51%), HAC Founding Members (39%) and Local Government (10%).

As for Homa Appliances Co, Ltd., I want to confirm the following:

- The Board of Director has no any change.

They are still 5 Homa founders since 2003, namely Mr. Shier Cai, Mr. Jianquan Cai, Mr. Michael Yao, Mr. David Wang and Mr. Simon Wu.

- The Top Management appointed by Board of Director also remains unchanged.

They are President Michael Yao, VP David Wang, VP Simon Wu, VP Bob Yu and VP Peter Liu.

No one from HHL or the local government has a role in HAC.

In effect, under the terms of our Articles of Association, HAC is a legal entity that operates in complete autonomy.

If you have any questions about the above, please feel free to let us know.

## CONCLUSIONS

Our business has been growing over the past 18 years.

The facts demonstrate the goodness of the long-term strategy, the consolidated ability of top management to execute plans and this thanks to our professional teams.

The real value of Homa Appliances does not merely lie in its "tangible assets" like factories and equipment, but its "soft assets", such as:

- the "pure ODM" business model.
- the long-lasting relationship established with its worldwide network of clients and partners.
- the culture, the people and the values.

Please rest assured, we will continue to develop our business with this philosophy in mind.

So, let's stay in touch and continue to look forward together.

Best wishes,



Michael Yao

CEO & President,

**Homa Appliances Co., Ltd.**