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**HISENSE HOME APPLIANCES GROUP CO., LTD.**

海信家電集團股份有限公司

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 00921)

## **MAJOR TRANSACTION**

### **SUBSCRIPTION FOR SHARES IN SANDEN HOLDINGS CORPORATION**

#### **THE SUBSCRIPTION**

The Board is pleased to announce that on 1 March 2021 (after trading hours), the Company entered into the Share Purchase Agreement with Sanden, pursuant to which Sanden has conditionally agreed to issue and the Company has conditionally agreed to subscribe for 83,627,000 shares of common stock of Sanden, representing approximately 75% of the total voting rights of Sanden as enlarged by the issue of the Subscription Shares, at the Subscription Price of JPY256 (equivalent to approximately HK\$19) per Subscription Share for a total Subscription Amount of JPY21,408,512,000 (equivalent to approximately HK\$1,562,665,109). The Company will also be required to provide a guarantee in respect of the Remaining ADR Debts owed to the ADR Creditors after the debt forgiveness under the Turnaround Plan.

Upon Closing, Sanden will become a non-wholly owned subsidiary of the Company.

#### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio in respect of the Subscription is more than 25% but less than 100%, the Subscription constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

#### **EGM**

An extraordinary general meeting will be convened and held by the Company for the Shareholders to consider and if thought fit, approve the Share Purchase Agreement and the transactions contemplated thereunder.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, details of the Subscription and other information required by the Listing Rules, will be despatched to the Shareholders on or before 15 June 2021, having taken into account the expected time required for the preparation of the financial and other information to be included in the circular.

## **THE SUBSCRIPTION**

The Board is pleased to announce that on 1 March 2021 (after trading hours), the Company entered into the Share Purchase Agreement with Sanden, pursuant to which Sanden has conditionally agreed to issue and the Company has conditionally agreed to subscribe for 83,627,000 shares of common stock of Sanden, representing approximately 75% of the total voting rights of Sanden as enlarged by the issue of the Subscription Shares, at the Subscription Price of JPY256 (equivalent to approximately HK\$19) per Subscription Share for a total Subscription Amount of JPY21,408,512,000 (equivalent to approximately HK\$1,562,665,109).

## **BACKGROUND**

Sanden is the world's leading first-class manufacturer and supplier of automotive air-conditioning compressors and automotive air-conditioning systems. Its capital chain is strained in light of the global pandemic of COVID-19 and other severe circumstances. In order to seek a business turnaround, it made use of the Turnaround ADR Proceedings (which are specified proceedings for which Japanese enterprises submit filings to the Japanese Association of Turnaround Professionals (JATP) under the laws and regulations in Japan for business turnaround) to obtain funds for operation and development, through the open sponsor selection process, the issuance of shares to the sponsor and the seeking of debt forgiveness from creditors and joint and several guarantee from the sponsor, thus stabilizing the continuous operation of the enterprise and improving the current financial position while enhancing the profitability of the enterprise and achieving fundamental reform by leveraging the industrial synergy with and the complementary advantage of the sponsor.

## **THE SHARE PURCHASE AGREEMENT**

Date: 1 March 2021

Parties: (1) Sanden; and  
(2) the Company.  
(each a “**Party**” and collectively the “**Parties**”)

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Sanden is an Independent Third Party and Sanden has no controlling shareholders.

## **Subscription Shares**

Pursuant to the Share Purchase Agreement, Sanden has conditionally agreed to issue and the Company has conditionally agreed to subscribe for 83,627,000 shares of common stock of Sanden,

representing approximately 75% of the total voting rights of Sanden as enlarged by the issue of the Subscription Shares.

Upon Closing, Sanden will become a non-wholly owned subsidiary of the Company.

### **Subscription Price and Subscription Amount**

The Subscription Price of JPY256 (equivalent to approximately HK\$19) per Subscription Share represents:

- (a) a discount of approximately 44.0% to the closing price of JPY457 (rounded to nearest JPY) (equivalent to approximately HK\$33) of Sanden's stock as quoted on the Tokyo Stock Exchange on 26 February 2021, which is the business day immediately preceding the date of the Share Purchase Agreement;
- (b) a discount of approximately 40.3% to the average closing price of JPY429 (rounded to nearest JPY) (equivalent to approximately HK\$31) of Sanden's stock as quoted on the Tokyo Stock Exchange for the one month preceding 26 February 2021;
- (c) a discount of approximately 34.2% to the average closing price of JPY389 (rounded to nearest JPY) (equivalent to approximately HK\$28) of Sanden's stock as quoted on the Tokyo Stock Exchange for the three months preceding 26 February 2021; and
- (d) a discount of approximately 29.1% to the average closing price of JPY361 (rounded to nearest JPY) (equivalent to approximately HK\$26) of Sanden's stock as quoted on the Tokyo Stock Exchange for the six months preceding 26 February 2021.

The Subscription Amount for the 83,627,000 Subscription Shares in the sum of JPY21,408,512,000 (equivalent to approximately HK\$1,562,665,109) shall be settled by cash on the Closing Date and will be funded by internal resources.

The Subscription Price was determined through Sanden's open sponsor selection process and after arm's length negotiations between the Parties taking into full account (a) the amount of debt to be forgiven by the ADR Creditors, (b) the funds required by Sanden for reform and development, (c) the amount of the joint and several guarantee to be provided by the Company for Sanden, (d) the past stock price performance of Sanden, and (e) that the common stock of Sanden will continue to be listed on the Tokyo Stock Exchange.

After payment of the Subscription Amount by the Company to Sanden, Sanden shall take necessary steps to cause all Subscription Shares that are being subscribed by the Company pursuant to the Share Purchase Agreement to be credited to the securities account designated by the Company through the book-entry system of JASDEC (Japan Securities Depository Center). The Company will form the SPV to subscribe for the Subscription Shares.

### **Conditions Precedent**

The major conditions precedent to the obligations of the Company to subscribe for the Subscription Shares include the following:

- (a) the governmental authorizations set forth in the Share Purchase Agreement (including but not limited to merger control approval in Japan) shall have been received and shall not be subject to any condition imposed by any governmental authority which is unacceptable to the Company, acting reasonably;
- (b) in accordance with the Turnaround ADR Proceedings, the Turnaround Plan shall have been duly approved by all the ADR Creditors at a duly convened creditors meeting of the Turnaround ADR Proceedings;
- (c) the passing of a resolution by the shareholders of the Company at a general meeting of the Company approving the entering into and performance of the Share Purchase Agreement and the transactions contemplated thereunder in accordance with the applicable laws and listing rules governing the listed shares of the Company;
- (d) an extraordinary general meeting of shareholders of Sanden (the “**Extraordinary General Meeting of Shareholders of Sanden**”) shall have approved, to the extent required under applicable law (i) the issuance of the Subscription Shares and (ii) the amendment to the articles of incorporation of Sanden in order to increase the number of authorized shares;
- (e) a shelf registration statement (the “**Shelf Registration Statement**”) in respect of the issue and sale of the Subscription Shares and any necessary amendments thereto (if any) shall have been duly filed by Sanden with the Kanto Local Finance Bureau of the Ministry of Finance of Japan and have become and remain effective under the Financial Instruments and Exchange Act of Japan, as amended and a shelf registration supplement to the Shelf Registration Statement shall have been duly filed by Sanden with the Kanto Local Finance Bureau of the Ministry of Finance of Japan;
- (f) conditions precedent in relation to material customers and key employees of Sanden and its affiliates;
- (g) since the date of the Share Purchase Agreement, nothing has occurred that would, or would be likely to have after the Closing, a Material Adverse Effect;
- (h) it is reasonably expected that the common shares of Sanden will continue to be traded on the Tokyo Stock Exchange after the Closing; and
- (i) the resumption of visa issuance to Chinese nationals for new entry into Japan.

The major conditions precedent to the obligations of Sanden to issue the Subscription Shares include the following:

- (a) the Extraordinary General Meeting of Shareholders of Sanden shall have approved, to the extent required under applicable law (i) the issuance of the Subscription Shares and (ii) the amendment to the articles of incorporation of Sanden in order to increase the number of authorized shares;
- (b) the Shelf Registration Statement in respect of the issue and sale of the Subscription Shares and any necessary amendments thereto (if any) shall have been duly filed by Sanden with the Kanto Local Finance Bureau of the Ministry of Finance of Japan and have become and remain effective under the Financial Instruments and Exchange Act of Japan, as amended and a shelf registration supplement to the Shelf Registration Statement shall have been duly filed by Sanden with the Kanto Local Finance Bureau of the Ministry of Finance of Japan; and
- (c) it is reasonably expected that the common shares of Sanden will continue to be traded on the Tokyo Stock Exchange after the Closing.

The Company will use its best efforts to procure the passing of the shareholders’ resolution of the Company referred to above.

## **Completion**

Upon the terms and subject to the conditions set forth in the Share Purchase Agreement, the closing of the Subscription will take place on the 5th Business Day immediately after the satisfaction or, to the extent permitted under the Share Purchase Agreement, waiver of all conditions precedent set forth in the Share Purchase Agreement (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permitted under the Share Purchase Agreement, waiver of all such conditions), unless the Share Purchase Agreement has been terminated pursuant to its terms or unless another time or date is agreed to in writing by the Parties.

## **Guarantee of the Remaining ADR Debts by the Company**

The Company shall on or before the Closing Date, either (i) provide a joint and several guarantee which shall (A) be for the benefit of the ADR Creditors with respect to the entire amount of the Remaining ADR Debts, (B) be governed by Japanese law and (C) become effective as of the Closing, or (ii) implement other possible alternatives to such joint and several guarantee which are satisfactory to the ADR Creditors based on good faith discussions among the Company, Sanden and the ADR Creditors, it being understood that the Parties shall discuss this matter intensively before Sanden proposes the Turnaround Plan to the ADR Creditors.

## **Indemnity**

The Company agrees and undertakes to indemnify Sanden for all damages, reasonable out-of-pocket costs and expenses which may be suffered by Sanden solely attributed to the Company's failing to make or obtain any filing or notification with, or authorization, approval, consent, license, order, registration, qualification or decree of, any governmental authority which is required to be obtained before the Closing for the consummation of transactions contemplated by the Share Purchase Agreement ("Damages") provided that such Damages shall not include any special, incidental, indirect or consequential damages, and shall be determined according to the permanent order, judgment, decision, verdict, award or other determination put into effect by any court, arbitration body, administrative agency or other governmental authority.

## **Use of Proceeds by Sanden**

Under the Share Purchase Agreement, Sanden shall use all of the proceeds of the issuance of Subscription Shares to restructure the business and operations of Sanden and its affiliates in accordance with the Turnaround Plan. The Company has been informed by Sanden that it intends to use the proceeds to free itself from the difficult business situations through structural reform and growth investment, thereby establishing a strong profit foundation, improving its financial position and achieving business turnaround.

## **Termination**

The Share Purchase Agreement may be terminated at any time only prior to the Closing:

- (a) by the mutual written consent of the Parties;
- (b) by either Party by written notice to the other Party if:

- (i) such Party is not then in material breach of any provision of the Share Purchase Agreement and there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by the other Party pursuant to the Share Purchase Agreement that would give rise to the failure of any of the conditions specified in the Share Purchase Agreement and such breach, inaccuracy or failure cannot be cured by the other Party by the Long Stop Date; or
- (ii) any of the conditions for such Party's obligations set forth in the Share Purchase Agreement shall not have been fulfilled by the Long Stop Date, unless such failure shall be due to the failure of such Party to perform or comply with any of the covenants, agreements or conditions of the Share Purchase Agreement to be performed or complied with by it prior to the Closing; or
- (c) by either Party in the event that:
  - (i) there shall be any law that makes consummation of the transactions contemplated by the Share Purchase Agreement illegal or otherwise prohibited; or
  - (ii) any governmental authority shall have issued a governmental order restraining or enjoining the transactions contemplated by the Share Purchase Agreement, and such governmental order shall have become final and non-appealable.

In the event of the termination of the Share Purchase Agreement in accordance with the terms thereof, the Share Purchase Agreement shall forthwith become void and there shall be no liability on the part of any Party except as set forth in certain provisions of the Share Purchase Agreement (such as confidentiality provisions) or in connection with any past breach that has arisen before termination or for any intentional breach of any provision of the Share Purchase Agreement.

### **Assignability**

The Company shall have the right to assign all (but not less than all) of the Share Purchase Agreement, and its rights and obligations thereunder (other than the Company's obligations to provide the joint and several guarantee referred to above, to use its best efforts to procure the passing of the shareholders' resolution of the Company referred to above and to notify Sanden in writing immediately upon completion of the procedures for formation of the SPV pursuant to the Share Purchase Agreement) to the SPV, provided that (a) notice of such assignment shall be executed by the Company and the SPV and delivered to the Sanden on the date of such assignment and (b) with respect to any obligations of the Company under the Share Purchase Agreement (including any breach of such representations and warranties), such obligations shall be performed by the SPV and the Company shall provide a joint and several guarantee of such obligations of the SPV.

The Company is currently in the process of forming the SPV and the Company intends to assign such of its rights and obligations under the Share Purchase Agreement as referred to in the preceding paragraph to the SPV.

### **The Turnaround Plan**

The Turnaround Plan will include business plan of Sanden, the forgiveness of part of the ADR Debts, the repayment schedule of the Remaining ADR Debts and the obligations of the Company to guarantee the Remaining ADR Debts.

A further announcement will be made by the Company after the Turnaround Plan is finalized and approved by the ADR Creditors in the creditors meeting which is currently scheduled to be held at around the end of April 2021.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

With the current development of automobiles towards "electrification", "intellectualization", "networking" and "sharing", new energy electric vehicle heat pump air-conditioning and battery fast charging technology are getting popular rapidly. Sanden is the world's leading first-class manufacturer and supplier of automotive air-conditioning compressors and automotive air-conditioning systems with a high level of global brand awareness and its market share for the global sales of automotive air-conditioning compressors ranked the second in 2019. The new generation electric compressors, integrated thermal management systems and automotive air-conditioning products developed by it have been extensively used in new energy electric vehicles. The Company has been strengthening its presence in the intelligent home appliances industry for many years and has accumulated advanced technologies for improving user experience. It has a mature global supplier system and stronger procurement bargaining power, as well as high quality talents and manufacturing resources. Upon completion of the Subscription, the Company will use Sanden as the core company to expand into the automotive air-conditioning compressor and automotive air-conditioning industries, so as to achieve the Company's expansion in different industries and enhance the profitability of Sanden through the sharing of technologies, supply chains, talents and manufacturing resources.

The Directors consider that the terms and conditions of the Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE COMPANY**

The Group is principally engaged in research and development, manufacturing and marketing of electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines, kitchen appliances, etc.

## **INFORMATION ON THE SANDEN GROUP**

### **The Sanden Group**

Sanden was founded in 1943. It is listed on the Tokyo Stock Exchange with the stock code of 6444. It is headquartered at 20 Kotobuki-cho, Isesaki-shi, Gunma, Japan, with Tokyo headquarter at Akihabara Daibiru Building, 1-18-13 Soto Kanda, Chiyoda-ku, Tokyo. Katsuya Nishi is its Representative Director and President. Its share capital is JPY11,037 million. The main business of the Sanden Group is the manufacture and sale of automobile equipment such as automotive compressors and automotive air-conditioning systems. Sanden has no controlling shareholders and ultimate controlling parties.

## The Turnaround ADR Proceedings

In response to this difficult business situation, on 30 June 2020, Sanden and its certain subsidiaries (the “**Filing Companies**”) filed formal applications for the Turnaround ADR Proceedings with the Japanese Association of Turnaround Professionals and the applications were accepted on the same day.

On 14 July 2020, the Filing Companies held a creditors’ meeting (the first creditors’ meeting) to explain the outline of the Turnaround Plan based on the Turnaround ADR Proceedings with the presence of the ADR Creditors and obtained the consent from the ADR Creditors regarding a standstill notice. At the second creditors’ meeting (creditors’ meeting for discussing the Turnaround Plan) and the third creditors’ meeting (creditors’ meeting for resolving the Turnaround Plan), both of which were held on 11 December 2020, Sanden reported to the ADR Creditors on the progress of developing the Turnaround Plan, and presented a new extended schedule to the ADR Creditors and obtained their consent on it on the assumption that Sanden would take some more time to develop the Turnaround Plan due to the continuing impact of COVID-19, etc.

Sanden concluded that, in order to free Sanden from the above-stated difficult business situations, turnaround its business, it is essential that Sanden establish a strong profit foundation and thoroughly improve its financial position as early as possible by securing equity capital from new sponsor successfully to obtain the funds necessary for structural reform and future growth investment, as well as by obtaining the ADR Creditors’ agreement on the financial support.

## Financial Information

Set out below is a summary of the key financial information of the Sanden Group:

	<b>For the year ended 31 March 2019</b> (audited) <i>JPY'million</i>	<b>For the year ended 31 March 2020</b> (audited) <i>JPY'million</i>
Revenue	273,934	204,880
Profit/(loss) before taxation	(20,568)	2,326
Profit/(loss) after taxation	(23,639)	966

According to the unaudited consolidated financial statements of the Sanden Group as of 31 December 2020, the total assets and net assets of the Sanden Group were approximately JPY172,401 million and approximately JPY8,653 million respectively and the net current liabilities of the Sanden Group were approximately JPY30,175 million.

The key financial information of the Sanden Group as set out above is derived from the Sanden Group’s financial statements prepared in conformity with the Japanese Generally Accepted Accounting Principles (JGAAP) as extracted from published financial information of Sanden disclosed on its website.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio in respect of the Subscription is more than 25% but less than 100%, the Subscription constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **EGM**

An extraordinary general meeting will be convened and held by the Company for the Shareholders to consider and if thought fit, approve the Share Purchase Agreement and the transactions contemplated thereunder.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, details of the Subscription and other information required by the Listing Rules, will be despatched to the Shareholders on or before 15 June 2021, having taken into account the expected time required for the preparation of the financial and other information to be included in the circular.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

<b>“ADR Creditors”</b>	the financial creditors participating in the Turnaround ADR Proceedings;
<b>“ADR Debts”</b>	the total funded debts owed by Sanden and its subsidiaries to the ADR Creditors in the amount of approximately JPY98 billion (equivalent to approximately HK\$7.2 billion) if calculated based on the amount of total funded debts owed by the Sanden and its subsidiaries which are subject to the Turnaround ADR Proceedings and using foreign exchange rates as of December 31, 2020;
<b>“Board”</b>	the board of Directors;
<b>“Business Day”</b>	a day which is not a Saturday, Sunday, or any day on which banking institutions in Japan or the PRC are generally authorized or obligated by law or executive order to close;
<b>“Closing”</b>	closing of the Subscription;

<b>“Closing Date”</b>	the 5 <sup>th</sup> Business Day immediately after the satisfaction or, to the extent permitted under the Share Purchase Agreement, waiver of all conditions precedent set forth in the Share Purchase Agreement (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permitted under the Share Purchase Agreement, waiver of all such conditions), unless the Share Purchase Agreement has been terminated pursuant to its terms or unless another time or date is agreed to in writing by the Parties;
<b>“Company”</b>	Hisense Home Appliances Group Co., Ltd., a company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Stock Exchange and the main board of the Shenzhen Stock Exchange;
<b>“connected person”</b>	has the meaning ascribed to it in the Listing Rules;
<b>“Directors”</b>	the directors of the Company;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“Independent Third Party”</b>	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associate;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Long Stop Date”</b>	31 July 2021;
<b>“Material Adverse Effect”</b>	any event, occurrence, fact, condition or change that is materially adverse to (i) the assets, properties, operations, business, or condition (financial or otherwise) of either Sanden, its affiliate or important joint ventures invested (but not controlled) by Sanden individually, or Sanden and its affiliates taken as a whole, or (ii) the ability of Sanden to consummate the transactions contemplated by the Share Purchase Agreement;
<b>“PRC”</b>	the People’s Republic of China;
<b>“Remaining ADR Debts”</b>	the remaining funded debts owed by Sanden and its subsidiaries to the ADR Creditors after the debt forgiveness under the Turnaround Plan;

<b>“Sanden”</b>	Sanden Holdings Corporation, a joint stock corporation organized under the laws of Japan, whose shares are listed on the First Section of the Tokyo Stock Exchange;
<b>“Sanden Group”</b>	Sanden and its subsidiaries;
<b>“Share Purchase Agreement”</b>	the Share Purchase Agreement entered into between Sanden and the Company dated 1 March 2021 in respect of the Subscription;
<b>“Shareholders”</b>	the shareholders of the Company;
<b>“SPV”</b>	the special purpose vehicle organized under the laws of Japan to be formed by the Company as an indirectly wholly-owned subsidiary of the Company;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“Subscription”</b>	the subscription by the Company for 83,627,000 shares of common stock of Sanden under the terms and conditions of the Share Purchase Agreement;
<b>“Subscription Amount”</b>	the consideration for the Subscription Shares;
<b>“Subscription Price”</b>	the subscription price of the Subscription Shares;
<b>“Subscription Shares”</b>	the 83,627,000 shares of common stock of Sanden to be subscribed by the Company pursuant to the Share Purchase Agreement;
<b>“Tokyo Stock Exchange”</b>	Tokyo Stock Exchange, Inc.;
<b>“Turnaround ADR Proceedings”</b>	the specified certified dispute resolution proceedings for which Sanden and certain of its subsidiaries submitted filings to the Japanese Association of Turnaround Professionals (JATP) on 30 June 2020, under the Act on Strengthening Industrial Competitiveness (Act No. 98 of 11 December 2013);
<b>“Turnaround Plan”</b>	the business turnaround plan with respect to the Turnaround ADR Proceedings that shall be presented to the financial institutions participating in the Turnaround ADR Proceedings under Article 28 of the Regulation for Enforcement of the Act on Strengthening Industrial Competitiveness Relating to the Ministry of Economy, Trade and Industry;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“JPY”	Japanese Yen, the lawful currency of Japan; and
“%”	per cent.

*For the purpose of illustration only, the amount denominated in JPY has been translated into HK\$ at the exchange rate of HK\$1.00 to JPY13.7.*

By order of the Board  
**Hisense Home Appliances Group Co., Ltd.**  
**Tang Ye Guo**  
*Chairman*

Foshan City, Guangdong, the PRC, 1 March 2021

*As at the date of this announcement, the Company's executive directors are Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong, Mr. Duan Yue Bin and Mr. Fei Li Cheng; and the Company's independent non-executive directors are Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit.*