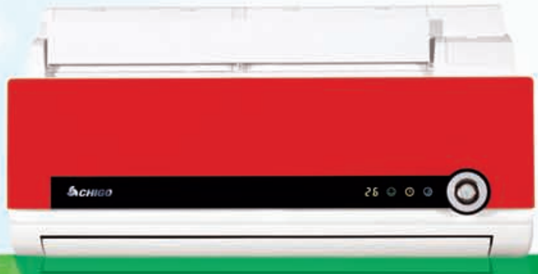
CHIGO HOLDING LIMITED
志高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 449

2009
INTERIM REPORT

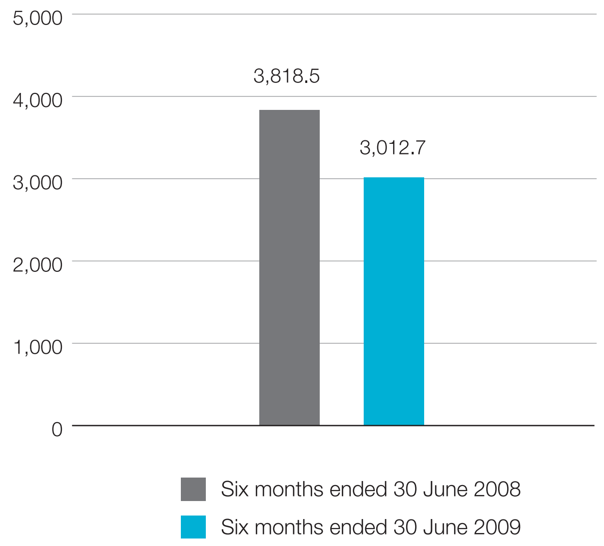


Contents

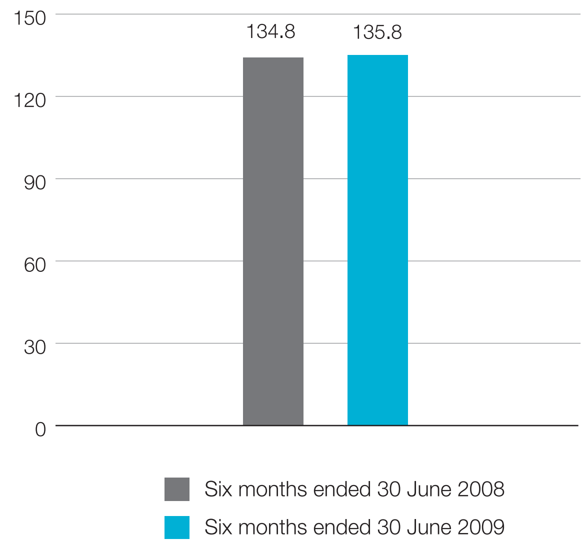
Financial Highlights

- Turnover decreased by **21.1%** → RMB 3,012.7 **million**
- Gross profit decreased by **19.9%** → RMB 481.2 **million**
- Gross margin increased from **15.7%** → 16.0 **%**
- Profit for the period increased by **0.7%** → RMB 135.8 **million**
- Net margin increased from **3.5%** → 4.5 **%**
- Total assets increased by **9.9%** → RMB 5,267.6 **million** as compared to 31 December 2008
- Net assets increased by **9.8%** → RMB 1,514.2 **million** as compared to 31 December 2008

Turnover (RMB million)



Profit for the period (RMB million)



Corporate Information

Board of Directors

Executive Directors

Mr. Li Xinghao *(Chairman and Chief Executive Officer)*
Mr. Lei Jianghang *(Vice Chairman)*
Mr. Huang Guoshen
Dr. Ding Xiaojiang

Independent non-executive Directors

Mr. Wan Junchu
Mr. Zhang Xiaoming
Mr. Fu Xiaosi

Company secretary

Mr. Leung Hon Man

Registered office of the Company

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong

Unit 13, 10th Floor
Seapower Tower (North Tower)
Concordia Plaza
No. 1 Science Museum Road
Tsimshatsui, Kowloon
Hong Kong

Headquarters of the Group

Shengli Industrial District, Lishui Town
Nanhai, Foshan, Guangdong
China
Post Code: 528244

Principal share registrar

Butterfield Fulcrum Group (Cayman) Limited
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong branch share registrar

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Principal bankers

The Bank of China, Foshan Nanhai Lishui Branch
China Construction Bank, Foshan Nanhai Lishui Branch
China Citic Bank, Foshan Branch
Guangdong Development Bank, Nanhai Branch
Agricultural Bank of China, Foshan Nanhai Lishui Branch
China Everbright Bank, Shenzhen Huali Road Branch

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Listing information

Listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock code:	449
Listing date:	13 July 2009
Board lot size:	2,000 shares

Corporate websites

www.china-chigo.com
www.irasia.com/listco/hk/chigo/index.htm

Corporate email

ir@china-chigo.com.hk

Corporate contact information

Hong Kong

Telephone:	(852) 2997 7449
Facsimile:	(852) 2997 7446

PRC

Telephone:	(86) 757 8878 3289
Facsimile:	(86) 757 8562 8012

The board (the "Board") of directors (the "Directors") of Chigo Holding Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2009 together with the comparative figures for the corresponding period of 2008.

The Group is principally engaged in the design, development, manufacture and sale of air-conditioning products. During the six months ended 30 June 2009, the turnover of the Group was mainly derived from the sale of air-conditioners and air-conditioner parts and components.

Business review

In the first half of 2009, the negative impact of the global financial crisis had yet to diminish. Recovery of the Western economies was gradual but rather slowly. Market demand for exported consumption products including air-conditioning products was adversely affected, especially in the European and North American markets.

China was one of the least affected markets by the global financial crisis and the PRC economy rebound very quickly. As the demand for air-conditioning products from overseas markets dropped a lot in the first half of 2009, manufacturers struggled to keep their market shares in the domestic market. As a result, competition in the PRC market among peers was very keen.

During the first half of 2009, the PRC government pursued an expansionary fiscal policy and a moderately loose monetary policy to pull the domestic demand and to keep stable economic growth. In respect of the air-conditioner industry, several preferential policies such as "Household Appliances to the Countryside Policy", "Policy of Tax Refund on Exports", "Energy Saving Product Helping People Project" and "Replacement of Household Electrical Appliance Programme" had been launched one after another by the PRC Government in the first half of 2009. Because of these favourable policies promoted by the authorities, all the market players were benefited from the new demand generated and could keep their sales generated from the PRC market in the first half of 2009 not worse than theirs in the corresponding period in 2008.

Financial review

Results of operations

	Six months ended 30 June 2009 RMB million	2009 % of Turnover	2008 RMB million	2008 % of Turnover	Increase (decrease) during the period RMB Million	Increase (decrease) during the period (%)
Geographic region						
PRC sales	**1,597.3**	**53.0**	1,615.7	42.3	(18.5)	(1.1)
Asia (excluding PRC)	**669.2**	**22.2**	938.2	24.6	(267.0)	(28.7)
Europe	**188.1**	**6.3**	778.3	20.4	(590.2)	(75.8)
Americas	**341.3**	**11.3**	282.4	7.4	58.9	20.9
Africa	**206.9**	**6.9**	194.7	5.1	12.2	6.2
Others	**9.9**	**0.3**	9.2	0.2	0.7	7.6
Overseas sales	**1,415.4**	**47.0**	2,202.8	57.7	(787.4)	(35.7)
Total Turnover	**3,012.7**	**100.0**	3,818.5	100.0	(805.9)	(21.1)

During the six months ended 30 June 2009, the Group's total turnover was approximately RMB3,012.7 million (30 June 2008: approximately RMB3,818.5 million) and decreased by RMB805.9 million, or 21.1% as compared to the corresponding period in 2008. The decrease was principally due to the significant decrease in sales to overseas markets as a result of the economy slowdown.

As the negative effect of the global financial crisis on consumption confidence extended to the first quarter of 2009, there was a slight time-lag in placing orders by the customers. As such, the Group's sales to the PRC market decreased slightly by RMB18.5 million or 1.1% to RMB1,597.3 million for the six months ended 30 June 2009. Due to the significant decrease in sales to the overseas market, sales generated from the PRC market amounted to 53.0% of the total turnover for the period ended 30 June 2009 as compared to 42.3% of the total turnover for the corresponding in 2008.

The Group's overseas sales decreased by approximately RMB787.4 million or 35.7% in the first half of 2009. The decrease was mainly caused by the declines of 28.7% and 75.8% in sales in the Asian (excluding PRC) and European markets respectively, which partially offset by the increases in sales in Africa, Americas and other regions. Sales performance in Americas was the best among the segments and achieved a remarkable growth of 20.9% because of the increase in sales to the South American countries. Overseas sales recorded by the Group decreased to 47.0% of the total turnover for the period under review from 57.7% of the total turnover for the same period in 2008.

The prices of raw materials, parts and components costs had decreased since the second half of 2008. Total turnover recorded by the Group also decreased in the first half of 2009. As such, the Group's cost of goods sold declined in line with the turnover by RMB686.3 million or 21.3% as compared to that of the first half of 2008.

Since the decrease in overall cost of goods sold was greater than the decrease in turnover over the same period, the Group's gross margin increased from 15.7% in the first half of 2008 to 16.0% in the first half of 2009. Due to the Group's half-yearly turnover downed 21.1% in the first half of 2009, its gross profit decreased by RMB481.2 million or 19.9% in the same period and amounted to RMB3,217.8 million. Despite the PRC sales and prices of raw materials decreased during the first half of 2009, the cost of goods sold in the PRC segment increased due to the increase in installation expenses relating to the products sold in the domestic market and increase in other business expenses. As a result, gross margin of the Group's PRC sales decreased to 15.2% in the first half of 2009 from 18.0% in the first half of 2008. Whereas, gross margin of the overseas sales of the Group improved to 16.8% in the first half of 2009 from 14.0% in the first half of 2008 due to the improvement of gross margins of products sold to other Asian and South American regions.

Other income was RMB18.5 million and decreased by RMB3.3 million or 15.2% because of the decrease in interest received by the Group which in turn was due to the decrease in average interest rates in the PRC in the first half of 2009.

The Group's selling and distribution costs decreased to RMB215.8 million by RMB63.6 million or 22.8% in the first half of 2009. This decrease was mainly due to the decreases in commissions, advertising and exhibition expenses and transportation costs which were the result of the decrease in the Group's sales.

Administrative expenses of the Group decreased slightly by RMB1.2 million or 1.3% to RMB97.7 million in the first six months of 2009 because of the decrease in salaries and benefits of administrative staff which partly offset by the increase in research and development costs and related expenses.

Other expenses decreased significantly to RMB7.9 million by RMB32.4 million or 80.3%. This was mainly because the net exchange losses incurred by the Group decreased in the first half of 2009 and there was legal and professional fees for the preparation of the Group for the listing incurred in the first half of 2008 but no such expenses in the first half of 2009.

The Group incurred a net loss of approximately RMB335,000 in fair value changes of derivative financial instruments in the first half of 2008 and recorded a net gain of RMB15.9 million in the first half of 2009. The favourable changes in the fair value of the derivative financial instruments were partly due to (i) increases in net present values of the outstanding foreign currency forward contracts and (ii) the reversal of the losses in relation to the copper swap contract entered into by the Group in 2008 as the average market floating prices of copper increased gradually and favourably to the Group in the first half of 2009.

Since the average interest rates in the PRC market decreased in the first half of 2009, the Group's finance costs decreased significantly by RMB32.3 million or 48.8% to RMB33.9 million.

The Group's tax charge was RMB24.4 million and increased by RMB21.9 million or 866.8% in the period under review. This increase was due to the two-year tax exemption period expired at the end of 2008. The Group entitled to a 50% tax relief from PRC corporate tax and was subject to a tax rate of 12.5% commencing from 2009.

As a result of the foregoing, the Group recorded a profit for the period of RMB135.8 million in the first half of 2009 representing a slight increase of RMB1.0 million or 0.7% as compared to the corresponding period in 2008. Since the net profit of the Group increased and the turnover decreased in the period, the net margin of the Group improved remarkably from 3.5% to 4.5% in the first half of 2009.

Financial position

	As at 30 June 2009 RMB million	As at 31 December 2008 RMB million	Increase during the period RMB million	Increase during the period (%)
Non-current assets	584.9	583.8	1.0	0.2
Current assets	4,682.7	4,207.7	474.9	11.3
Current liabilities	3,680.6	3,347.0	333.6	10.0
Non-current liabilities	72.8	66.2	6.6	10.1
Net assets	1,514.2	1,378.4	135.8	9.8

During the six-month period ended 30 June 2009, the Group's total consolidated assets increased by RMB476.0 million or 9.9% to RMB5,167.6 million (31 December 2008: RMB4,791.6 million). The increase was mainly made in current assets such as trade and other receivables (increased by RMB93.7 million), pledged bank deposits (increased by RMB136.7 million), bank balances and cash (increased by RMB308.7 million) and offset by the decrease in inventories (decreased by RMB61.8 million). Total consolidated liabilities of the Group as at 30 June 2009 amounted to RMB3,753.4 million (31 December 2008: RMB3,413.2 million) and increased by RMB340.2 million or 10.0% as compared to that of 31 December 2008. Major liabilities increased in the period were trade and other payables (increased by RMB210.5 million) and short-term bank loans (increased by RMB198.3 million). As the Group recorded a net profit for the period, the Group's net assets increased by 9.8% or RMB135.8 million to RMB1,514.2 million (31 December 2008: RMB1,378.4 million) at the period end.

Liquidity, financial resources and capital structure

As at 30 June 2009, the Group had current assets amounted to RMB4,682.7 million (31 December 2008: RMB4,207.7 million) and current liabilities amounted to RMB3,680.5 million (31 December 2008: RMB3,347.0 million). The Group's working capital increased by RMB141.4 million or 16.2% from RMB860.7 million as at the end of 2008 to RMB1,002.1 million. The Group's current ratio remained stable at 1.3 times as at 30 June 2009 and 31 December 2008.

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Net cash from (used in) operating activities	**352.0**	(229.5)
Net cash (used in) from investing activities	**(163.8)**	164.3
Net cash from financing activities	**120.5**	129.1
Net increase in cash and cash equivalents	**308.7**	64.0
Cash and cash equivalents at 30 June	**569.5**	138.7

During the period under review, the Group financed its working capital from internally generated cash flow and short-term bank loans. For the six months ended 30 June 2009, the Group generated net cash inflow of RMB352.0 million from operating activities (30 June 2008: cash outflow of RMB229.5 million). The Group raised bank loans of RMB1,141.3 million from and repaid RMB943.0 million to the banks. As such, net cash generated from financing activities amounted to RMB120.5 million (30 June 2008: cash inflow of RMB129.1 million). Part of the cash generated was used to finance the investing activities of the Group such as pledging bank deposits for issuance of bills of exchange and letters of credit to suppliers for procurement of raw materials.

As a result of the foregoing, the Group generated surplus cash of RMB308.7 million (30 June 2008: net cash inflow of RMB64.0 million) during the six months under review and had bank balances and cash amounted to RMB569.5 million at the period end (31 December 2008: RMB260.8 million).

As at 30 June 2009, the balance of short-term bank loans owed by Group was RMB1,276.3 million (31 December 2008: RMB1,078.0 million). The bank loans were used for working capital purposes, charged at fixed interest rates and repayable within one year. All of the bank loans were made and repaid in Renminbi. The gearing ratio (calculated as interest-bearing loans and other borrowings to total assets) of the Group increased from 22.5% at the end of 2008 to 24.2% as at 30 June 2009. The increases in balance of short-term bank loans and gearing ratio were mainly because more bank loans were required as working capital for procurement and operation to meet the higher demand of products during summer each year.

Ability of the Group to service finance costs, as indicated by interest cover, was improving during the reporting period. As market interest rates and finance costs decreased and net profit increased during the first half of 2009, interest cover of the Group increased to 5.7 times as compared to 3.1 times last year.

During the first half of 2009, the Group had entered into certain foreign currency forward contracts to hedge against part of its exposure on potential variability of foreign currency risk. Together with those contracts entered by the Group before 2009 and outstanding as at 30 June 2009, the total financial exposure of the Group to these foreign currency forward contracts was approximately RMB35.6 million. The Group had not entered into any new copper swap contract during the first half of 2009. There was a copper swap contract outstanding as at 30 June 2009 which will be expired at the end of September 2009. The financial exposure of the Group to such copper swap contract was approximately RMB2.5 million as at the period end.

At the end of 30 June 2009, the Group had issued share capital of RMB1,000 and all of the issued shares were ordinary shares. On 19 June 2009, all the shareholders of the Company passed the written resolutions and resolved that the directors of the Company were authorised to capitalise an amount of HK$4,274,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 427,400,000 shares for allotment and issue to the shareholders of the Company on 19 June 2009 on a pro rata basis, conditional on the share premium account being credited as a result of the issue of shares by the Company pursuant to the global offering. On 13 July 2009, the Company's shares were listed on the Main Board of the Stock Exchange and 72,500,000 ordinary shares of HK$0.01 each of the Company were issued at HK$2.27 by way of global offering. A further 10,874,000 ordinary shares were issued at HK$2.27 per share upon an over-allotment option was exercised on 5 August 2009.

On 19 June 2009, the then shareholders also resolved to adopt a share option scheme of the Company. During the period under review, no share options were granted by the Company. As at 30 June 2009, there were no outstanding share options.

Other than the above, there were no other equity or debt instruments issued by the Company during the reporting period and at the end of the review period.

Material acquisitions and disposals, significant investments

During the period under review, the Group had not made any material acquisitions and disposals of subsidiaries and associated companies. As at the end of the reporting period, the Group did not hold any significant investments.

Charge on assets

As at 30 June 2009, certain bank deposits and inventories of the Group in an aggregate carrying amount of approximately RMB1,471.1 million (31 December 2008: approximately RMB1,589.8 million) were pledged to certain banks for securing the banking facilities granted to the Group.

Exposure to fluctuations in exchange rates

During the period ended 30 June 2009, approximately 47.0% of the Group's sales were denominated in currencies other than the Renminbi predominantly the US dollar, whilst most of the costs and expenses incurred by the Group were denominated in the Renminbi. In this regard, the Group may expose to foreign currency risk. As the Group had already entered into certain foreign currency forward contracts and the exchange rate of the Renminbi against the US dollars remained rather stable during the reporting period, the Directors are of the view that the Group's exposure to foreign currency risk was not significant. The management of the Group will monitor foreign currency exposure from time to time and will consider further hedging should the need arise.

Contingent liabilities

The Group had no significant contingent liabilities as 30 June 2009.

Employees and remuneration

As at 30 June 2009, the Group employed 12,989 employees (31 December 2008: 9,204 employees). The employees of the Group are remunerated based on their performance, experience and prevailing industry practices. Compensation packages are reviewed on a yearly basis. The Group also provides its employees with welfare benefits including medical care, meal subsidies, education subsidies and housing etc.

In order to attract, motivate and retain high calibre personnel, the Group also has a share option scheme in place in which the employees of the Group and the Directors are entitled to participate.

Outlook and future plans

The Group had 112 and 261 of its air-conditioner models being selected in the first batch and second batch of recommended high energy efficiency ratio (Grade 1) air-conditioners under the “Energy Saving Product Helping People Project” released by the National Development and Reform Commission in June and July 2009 respectively. In these two selection processes, the Group topped the lists and had the most numbers of models being selected by the authority. In view of the strong support from the government and the end-users’ increased awareness of the advantages of high energy efficiency ratio air-conditioners, the Directors believe that the Group will be benefited from the increased market demand for such high energy efficiency products.

In respect of the overseas sales, the rebound of economic activities and growth of demand in the European and North American markets are uncertain. However, the Group will continue to strengthen to the sales of products to the South American and African regions where the Group had achieved remarkable sales performance in the first half of 2009. Moreover, possibilities of another global financial crisis in the second half of 2009 are minimal, the Directors are optimistic that the financial performance in the latter half of 2009 would be better than that of 2008.

As disclosed in the Company’s prospectus dated 30 June 2009, the Group plans to expand its manufacturing capacity for the production of commercial air-conditioning products. Two new production facilities for the manufacture of commercial air-conditioning products will be established in Wuhu, Anhui province and Jiujiang, Jiangxi province, the PRC respectively. The construction work of these two production facilities will commence in the second half of 2009 and is expected to be completed in the first half of 2011, after which, the number of production lines for the manufacture of the Group’s commercial air-conditioning products will be increased from seven to nine. The Group has also earmarked 60% of the net proceeds from the global offering, or approximately HK$56.3 million for these two expansion projects.

Listing of the shares of the Company

The shares of the Company (the "Shares") have been successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited since 13 July 2009. The total number of issued shares of the Company as at 13 July 2009 was 500,000,000 Shares.

On 5 August 2009, the over-allotment option (10,874,000 out of 10,875,000 additional shares) was partially exercised, 10,874,000 over-allotment shares were issued and allotted by the Company. The total number of issued shares of the Company increased to 510,874,000 Shares immediately after the issue of the over-allotment shares.

Interim dividend

The Board does not recommend any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

Directors' and chief executive's interests and short positions in shares and underlying shares

As at 30 June 2009, the global offering of the Company was yet to be completed. Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or section 352 of the SFO were not applicable to the Directors or chief executives of the Company.

To the best knowledge of the Directors, the interests of the Directors, the chief executive or their associates in the share capital of the Company or its associated corporations (within the meaning of Part XV of the SFO) as at the date of this report, as recorded in the registered required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

A. Long position in the shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Li Xinghao *(Note)*	Interest in controlled corporation	342,400,000	67.02

Note: Mr. Li is the beneficial owner of approximately 99.46% of the issued shares of the issued shares of Chigo Group Holding Limited which in turn holds approximately 67.02% of the shares of the Company.

Directors' and chief executive's interests and short positions in shares and underlying shares (continued)

B. Long position in the shares of associated corporation

Name of Director	Associated Corporation	Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Li Xinghao	Chigo Group Holding Limited	Beneficial interest	9,946.1036	99.46

Share option scheme

The share option scheme of the Company was conditionally adopted by the written resolutions of the shareholders passed on 19 June 2009. During the period under review, no share options were granted by the Company. As at 30 June 2009 and the date of this report, there were and are no share options outstanding respectively.

Substantial shareholders' and other person's interests and short positions in shares and underlying shares

The Company was yet to become a listed corporation as at 30 June 2009. So far as is known to the Directors, as at the date of this report, after the completion of the global offering and the issue and allotment of the over-allotment shares, the following persons (other than the Directors or chief executive) have or are deemed or taken to have an interest in the Shares which would have to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interest and capacity	Number of Shares	Approximate percentage of shareholding
Chigo Group Holding Limited *(Note)*	Beneficial owner	342,400,000	67.02
High Surplus Enterprises Limited	Beneficial owner	42,750,000	8.37

Note: Chigo Group Holding Limited is owned as to 99.46% by Mr. Li Xinghao and as to approximately 0.54% by Mr. Li Longyi who is the son of the elder brother of Mr. Li Xinghao.

Purchase, sale or redemption of listed shares of the Company

As the Shares were listed after 30 June 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities in the Stock Exchange (the "Listing Rules") regarding securities transactions by its directors.

As at 30 June 2009, though the Company's shares had yet to be listed on the Main Board of the Stock Exchange, the Company has still made specific enquiry of all directors regarding any non-compliance with the Model Code. The Directors were not aware of any non-compliance with the required standard set out in the Model Code during the period of six months ended 30 June 2009.

Audit committee

The Company established the audit committee (the "Audit Committee") on 19 June 2009 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee comprises the three independent non-executive Directros, namely, Messrs. Fu Xiaosi, Zhang Xiaoming and Wan Junchu. Mr. Fu Xiaosi is the chairman of the Audit Committee.

Review of the interim results

The Company's interim results for six months ended 30 June 2009 have been reviewed by the Audit Committee of the Company and Deloitte Touche Tohmatsu, Certified Public Accountants, the external auditor of the Company.

Corporate governance

The Company has adopted its corporate governance practices which are in line with the code provisions contained in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Listing Rules. As the Shares were listed after 30 June 2009, the CG Code was not applicable to the Company during the period under review. In the opinion of the Directors, the Company has complied with most of the code provisions set out in the CG Code during the six months ended 30 June 2009.

Investor relations and communications

The Directors recognise the importance of long-term supports from the shareholders of the Company. The Board highly respects the shareholders' rights to express their views and appreciates the shareholders to make suggestions to the Company. On top of the regular members' meetings to be held yearly, the Company has also established different channels, including corporate website (www.china-chigo.com) with updated Company's news and information, corporate email (ir@china-chigo.com.hk) and public relations department, to (i) promote effective communication between the Company and its shareholders, (ii) release updated Company's new, information and timely announcements and (iii) handle shareholders' enquiries and suggestions.

In addition, the Group has also setup an investment and securities department to deal with investor relations activities including meetings with financial analysts and fund managers and teleconferences with investors and research analysts.

By Order of the Board
Li Xinghao
Chairman

Hong Kong, 17 September 2009

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CHIGO HOLDING LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 17 to 30, which comprises the condensed consolidated statement of financial position of Chigo Holding Limited as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended 30 June 2008 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 September 2009

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Turnover		**3,012,652**	3,818,540
Cost of goods sold		**(2,531,470)**	(3,217,797)
Gross profit		**481,182**	600,743
Other income		**18,474**	21,790
Selling and distribution costs		**(215,785)**	(279,362)
Administrative expenses		**(97,667)**	(98,904)
Other expenses		**(7,946)**	(40,329)
Net gain (loss) in fair value changes of derivative financial instruments		**15,859**	(355)
Finance costs		**(33,941)**	(66,257)
Profit before taxation	4	**160,176**	137,326
Taxation	5	**(24,412)**	(2,525)
Profit and total comprehensive income recognised for the period		**135,764**	134,801
Earnings per share	7		
— Basic		**RMB31.8 cents**	RMB31.5 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	Notes	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	374,856	372,595
Land use rights		83,179	84,124
Intangible assets		2,633	2,812
Prepaid lease payments		103,055	103,831
Deposits made on acquisition of property, plant and equipment		10,685	10,557
Deferred tax assets		10,479	9,921
		584,887	583,840
Current assets			
Inventories		1,361,043	1,422,838
Trade and other receivables	9	1,592,838	1,499,119
Land use rights		1,815	1,815
Prepaid lease payments		5,040	—
Taxation recoverable		8,202	13,662
Derivative financial instruments		1,422	3,408
Pledged bank deposits		1,142,781	1,006,067
Bank balances and cash		569,529	260,834
		4,682,670	4,207,743
Current liabilities			
Trade and other payables	10	2,242,393	2,031,918
Warranty provision		36,076	35,302
Amount due to ultimate holding company		—	28,250
Amount due to a director		—	15,580
Taxation payable		89,169	75,683
Derivative financial instruments		36,676	82,294
Short-term bank loans	11	1,276,258	1,077,986
		3,680,572	3,347,013
Net current assets		1,002,098	860,730
Total assets less current liabilities		1,586,985	1,444,570

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2009

	Note	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Non-current liabilities			
Government grant		**62,520**	63,174
Deferred tax liabilities		**10,300**	2,995
		72,820	66,169
Net assets		**1,514,165**	1,378,401
Capital and reserves			
Share capital	12	**1**	1
Reserves		**1,514,164**	1,378,400
Total equity		**1,514,165**	1,378,401

The condensed consolidated financial information on pages 17 to 30 were approved and authorised for issue by the Board of Directors on 17 September 2009 and are signed on its behalf by:

Li Xinghao
DIRECTOR

Lei Jianghang
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Share compensation reserve RMB'000 (Note b)	Statutory surplus reserve fund RMB'000 (Note c)	Retained profits RMB'000	Total RMB'000
At 1 January 2008	1	212,564	(26,408)	1,967	87,991	906,998	1,183,113
Profit and total comprehensive income for the period	—	—	—	—	—	134,801	134,801
Dividend waived (Note d)	—	17,520	—	—	—	82,480	100,000
At 30 June 2008 (unaudited)	1	230,084	(26,408)	1,967	87,991	1,124,279	1,417,914
At 1 January 2009	**1**	**230,084**	**(26,408)**	**1,967**	**112,419**	**1,060,338**	**1,378,401**
Profit and total comprehensive income recognised for the period	**—**	**—**	**—**	**—**	**—**	**135,764**	**135,764**
At 30 June 2009 (unaudited)	**1**	**230,084**	**(26,408)**	**1,967**	**112,419**	**1,196,102**	**1,514,165**

Notes:

(a) Special reserve represents the difference between the consideration paid for the acquisition of the entire interest in 廣東志高空調有限公司 (Guangdong Chigo Air-Conditioning Co., Ltd.) ("Guangdong Chigo") and the then paid-in capital of Guangdong Chigo upon group reorganisation in 2006.

(b) Share compensation reserve represents the difference of fair value of certain shares of 廣東志高空調股份有限公司 (Guangdong Chigo Air-Conditioning Joint Stock Co., Ltd.), the predecessor of Guangdong Chigo, transferred to the Group's certain employees by the shareholders, Mr. Li Xinghao and Mr. Li Longyi and the consideration paid by the employees in obtaining those shares.

(c) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the PRC subsidiary of the Company is required to maintain a statutory surplus reserve fund which is non-distributable. Appropriation to such reserve is made out of net profit after taxation of the statutory financial statements of the PRC subsidiary and the allocation basis are decided by its Board of Directors annually. The statutory surplus reserve fund can be used to make up its prior year losses, if any, and can be applied for conversion into capital by means of capitalisation issue.

(d) The amount of RMB17,520,000 recognised in the share premium account and RMB82,480,000 recognised directly in equity represent the dividend waived by the subscribers and convertible note holders, and Mr. Li Xinghao, the beneficially controlling shareholder of the Company respectively, on 6 June 2008.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from (used in) operating activities	**351,982**	(229,481)
Investing activities		
Interest received	**13,246**	16,742
Purchase of property, plant and equipment	**(34,414)**	(47,580)
Proceeds from disposal of property, plant and equipment	**3,172**	17
Prepaid lease payments made	**(4,965)**	(25,475)
Deposits paid on acquisition of property, plant and equipment	**(4,113)**	(468)
(Increase) decrease in pledged bank deposits	**(136,714)**	221,102
Net cash (used in) from investing activities	**(163,788)**	164,338
Financing activities		
Interest paid	**(33,941)**	(66,257)
Repayment to ultimate holding company	**(28,250)**	—
Repayment to a director	**(15,580)**	(17,758)
Bank loans raised	**1,141,258**	1,050,418
Repayment of bank loans	**(942,986)**	(837,295)
Net cash from financing activities	**120,501**	129,108
Net increase in cash and cash equivalents	**308,695**	63,965
Cash and cash equivalents at 1 January	**260,834**	74,767
Cash and cash equivalents at 30 June	**569,529**	138,732
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**569,529**	138,732

1. General and Basis of Preparation

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of Cayman Islands on 24 April 2006 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2009.

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Group's interim financial information is presented in Renminbi ("RMB") which is also the functional currency of the Company.

2. Significant Accounting Policies

The condensed consolidated financial information has been prepared under the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial information for the year ended 31 December 2008 included in the Accountants' Report in Appendix I of the prospectus issued by the Company dated 30 June 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 23 (Revised 2007) "Borrowing costs"

In previous periods, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the Standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. As the revised accounting policy has been applied prospectively since 1 January 2009, the change has had no impact on amounts reported in prior accounting periods. In the current period, no borrowing costs were capitalised as part of the cost of a manufacturing plant.

2. Significant Accounting Policies (continued)

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 "Segment reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the other new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and separate financial statements[1]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction[3]
HKFRS 3 (Revised 2008)	Business combinations[1]
HK(IFRIC)-INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC)-INT 18	Transfers of assets from customers[4]

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Board of Directors, in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, "Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was geographical segment by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKFRS 14. The adoption of HKFRS 8 has changed the basis of measurements of segment profit or loss.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	Turnover For the six months ended 30 June		Results For the six months ended 30 June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Mainland China (the "PRC")	**1,597,245**	1,615,746	**243,042**	291,420
Asia (excluding PRC)	**669,211**	938,186	**118,007**	133,743
Europe	**188,081**	778,268	**26,793**	106,487
Americas	**341,361**	282,433	**52,171**	34,860
Africa	**206,879**	194,727	**38,949**	32,344
Others	**9,875**	9,180	**2,220**	1,889
	3,012,652	3,818,540	**481,182**	600,743
Unallocated other income			**18,474**	21,790
Unallocated expenses			**(321,398)**	(418,595)
Net gain (loss) in fair value changes of derivative financial instruments			**15,859**	(355)
Finance costs			**(33,941)**	(66,257)
Profit before taxation			**160,176**	137,326

Segment results represent the gross profits by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

3. Segment Information (continued)

The following is an analysis of the Group's assets by operating segment:

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
PRC	**1,085,531**	778,008
Asia (excluding PRC)	**211,894**	377,523
Europe	**73,998**	106,455
Americas	**157,781**	145,924
Africa	**24,599**	53,059
Others	**10,279**	13,090
	1,564,082	1,454,059

4. Profit Before Taxation

	Six months ended 30 June	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**179**	178
Depreciation of property, plant and equipment	**29,801**	29,378
Loss on disposal of property, plant and equipment	**3,165**	505
Net exchange losses	**3,079**	27,299
Operating lease rentals in respect of		
— land use rights	**945**	863
— prepaid lease payments	**701**	—
and after crediting:		
Government subsidies*	**3,130**	2,397

* The government subsidies provided by the PRC government to the Group were paid as an incentive for research and development on new environmental friendly products. There are no conditions and contingencies attached to the receipt of the government subsidies.

5. Taxation

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
PRC income tax	**(17,665)**	—
Deferred taxation	**(6,747)**	(2,525)
	(24,412)	(2,525)

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Pursuant to the relevant laws and regulations in the PRC, the PRC subsidiary of the Group is entitled to exemption from PRC income tax for the two years commencing from its first profit making year of operation and thereafter, this PRC subsidiary will be entitled to a 50% relief from PRC income tax for the following three years. The PRC subsidiary has selected the financial year of 2007 as its first profit making year. Currently, the PRC subsidiary is entitled to 50% relief from PRC income tax.

According to a joint circular of Ministry of Finance and the State Administration of Taxation of the PRC, Cai Shui [2008] No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to Enterprise Income Tax ("EIT") at 10% and withheld by the PRC subsidiary, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Detailed Implementation Rules. Deferred tax liability on the undistributed profits earned during the period ended 30 June 2009 has been accrued at the tax rate of 10% on the expected dividend stream of 30% which is determined by the directors of the Company.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's Hong Kong operations had no assessable profit for the period.

6. Dividends

No dividend was paid, declared or proposed during the period. The directors do not recommend the payment of an interim dividend.

7. Earnings per Share

The calculation of the basic earnings per share for the period is based on the consolidated profit attributable to owners of the Company and on the assumption that the 427,400,000 shares pursuant to the capitalisation issue as detailed in note 14(a) have been effective on 1 January 2008.

No diluted earnings per share is presented as there were no potential dilutive shares during the period.

8. Movements in Property, Plant and Equipment

During the period, the Group incurred RMB38,399,000 (2008: RMB53,673,000) on acquisition of machinery and manufacturing plant in the PRC to upgrade its manufacturing capabilities.

9. Trade and Other Receivables

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Trade receivables	**961,706**	864,557
Bills receivables	**602,376**	609,502
	1,564,082	1,474,059
Deposits paid to suppliers	**3,410**	2,703
Prepayments	**5,379**	4,389
Other loan receivables	**10,162**	11,183
Other receivables	**9,805**	6,785
	1,592,838	1,499,119

9. Trade and Other Receivables (continued)

Payment terms with customers are mainly on credit. Invoices are normally payable from 30 days to 90 days from date of issuance, while invoices to long-established customers are normally payable within 270 days. The following is an aged analysis of trade and bills receivables at the reporting date:

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Age		
0–30 days	**636,181**	560,414
31–60 days	**280,834**	182,974
61–90 days	**207,001**	144,663
91–180 days	**246,896**	307,374
181–365 days	**190,440**	248,517
Over 1 year	**2,730**	30,117
	1,564,082	1,474,059

10. Trade and Other Payables

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Trade payables	**308,047**	280,537
Bills payables	**1,503,200**	1,488,464
	1,811,247	1,769,001
Customers' deposits	**297,359**	192,951
Payroll and welfare payables	**12,571**	7,201
PRC business tax payable	**7,156**	7,156
Other payables	**114,060**	55,609
	2,242,393	2,031,918

10. Trade and Other Payables (continued)

The Group normally receives credit terms of 30 days to 180 days from its suppliers. The following is an aged analysis of trade and bills payables at the reporting date:

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Age		
0–90 days	**892,633**	1,200,759
91–180 days	**906,711**	558,434
181–365 days	**9,885**	7,090
Over 1 year	**2,018**	2,718
	1,811,247	1,769,001

11. Short-term Bank Loans

During the period, the Group obtained new bank loans amounting to RMB1,141,258,000 (2008: RMB1,050,418,000) and made repayment of bank loans amounting to RMB942,986,000 (2008: RMB837,295,000). The loans carry interest at fixed market rates and have fixed terms of repayment. The proceeds were used for working capital purposes.

12. Share Capital

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each				
— at 1 January 2008, 30 June 2008 and 31 December 2008	5,000	50	100	1
— increase in authorised share capital	49,995,000	499,950	—	—
— at 30 June 2009	50,000,000	500,000	100	1

	RMB'000
Shown in the consolidated statement of financial position	
— at 1 January 2008, 30 June 2008, 31 December 2008 and 30 June 2009 as	1

12. Share Capital (continued)

Pursuant to the written resolutions passed by all the shareholders of the Company dated 19 June 2009, the Company increased its authorised share capital from HK$50,000 to HK$500,000,000 by the creation of an additional 49,995,000,000 shares of HK$0.01 each.

13. Related Party Transactions

(a) Related party transactions

During the period, the Group paid messing expenses totaling RMB403,000 (2008: RMB387,000) to a related company, which is controlled by Mr. Li Xinghao , a beneficial controlling shareholder of the Company.

(b) Compensation of key management personnel

During the period, the remuneration paid to the Group's key management personnel, represented by the Company's directors, was RMB578,000 (2008: RMB591,000).

14. Events After the End of the Interim Period

The following significant events took place subsequent to 30 June 2009:

(a) Pursuant to the written resolutions passed by all shareholders of the Company dated 19 June 2009, the directors of the Company were authorised to capitalise an amount of HK$4,274,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 427,400,000 shares for allotment and issue to the shareholder of the Company on the register of members of the Company on 19 June 2009 on a pro rata basis, conditional on the share premium account being credited as a result of the issue of shares by the Company pursuant to the global offering. Also, under the same written resolutions, the Company has adopted a share option scheme in which the directors of the Company were authorised to grant options to subscribe for shares of the Company and allot, issue and deal with shares pursuant to the exercise of the options granted under the share option scheme.

(b) On 13 July 2009, 72,500,000 ordinary shares of HK$0.01 each of the Company were issued at HK$2.27 by way of global offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

(c) On 5 August 2009, an over-allotment option was exercised and a further 10,874,000 shares of HK$0.01 each were issued at HK$2.27 per share.