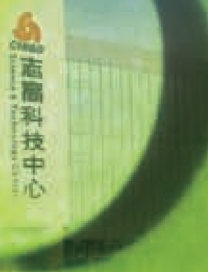


CHIGO HOLDING LIMITED
志高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: **449**

The world's highest EER 8.36 inverter air-conditioner

Promotion for
Green · Low Carbon Products

2010 Interim Report

Contents

Financial Highlights

Turnover increased by **54.8%** to RMB **4,664.1** million

Net margin increased from **4.5%** to **6.0%**

Consolidated segment results increased by **73.5%** to RMB **834.8** million

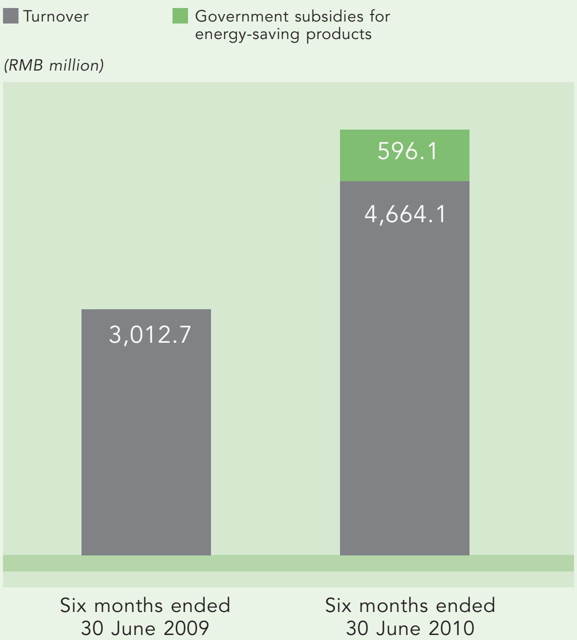
Total assets increased by **27.2%** (as compared to 31 December 2009) to RMB **7,078.4** million

Gross margin (consolidated segment results to turnover) increased from **16.0%** to **17.9%**

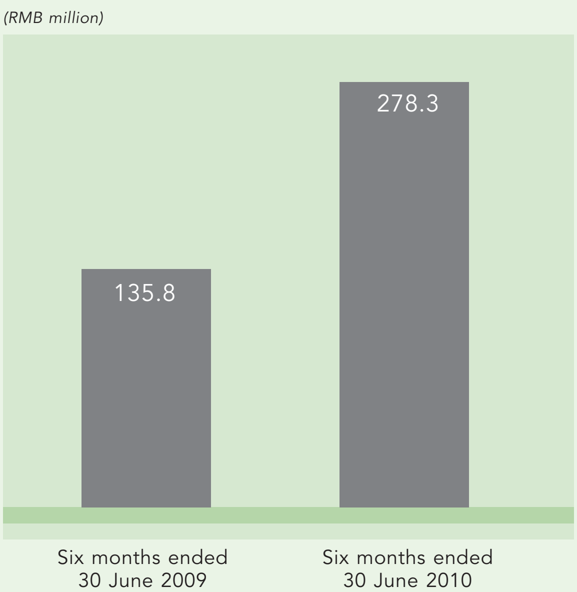
Net assets increased by **16.6%** (as compared to 31 December 2009) to RMB **2,151.9** million

Profit for the period increased by **105.0%** to RMB **278.3** million

Turnover and gross receipts



Profit for the period



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 08, 19th Floor
Greenfield Tower (South 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
Butterfield House
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
Standard Chartered Bank (China) Limited, Guangzhou Branch

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISER AS TO HONG KONG LAW

Sidley Austin

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
As at 30 June 2010:	
No. of shares outstanding:	510,874,000 shares
Market capitalisation:	HKD2.26 billion

CORPORATE WEBSITES

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

CORPORATE CONTACT INFORMATION FOR SHAREHOLDERS AND INVESTORS

HONG KONG

Please contact our Company Secretary at:
Telephone: (852) 2997 7449
Facsimile: (852) 2997 7446

PRC

Please contact our Investment and Securities Department at:
Telephone: (86) 757 8878 3289
Facsimile: (86) 757 8562 8012

Management Discussion and Analysis

Business Review

The Company achieved impressive operating results in the first six months ended 30 June 2010. The Group recorded a mid double-digit increase in turnover and saw its half-year net profit more than double. The outstanding performance was attributable to the Group's ability to develop advanced energy-saving products and its proactive business strategy to grasp market opportunities ahead of its peers.

During the period under review, the PRC government not only kept on promoting the "Household Appliances to the Countryside Policy", "Replacement of Household Electrical Appliance Programme" and "Promotion of Energy Efficient Appliances Scheme", but also expanded the scope and coverage of these preferential policies. In response to an international call for energy-saving and carbon reduction measures, the PRC government particularly pledged to improve end-user energy efficiency of electrical appliances. Subsidies were given to the energy-efficient air-conditioners manufacturers who will share the benefits with the end-users by offering attractive selling prices. At the same time, the government gradually raised the standard requirement of energy-saving products. As a leading air-conditioners manufacturer, the Group possesses the most advanced technology in the energy-saving field. The Group's elected high energy-saving air-conditioners accounted for approximately 21% market share of all the qualified models and the Group delivered brilliant performance in sales of these products.

On the export front, the Group noted the global economic recovery and increase in orders from overseas customers during the first half of 2010. The Group's overseas sales picked up very quickly and almost returned to the highest sales level in the first half of 2008. Despite increased export volume, market competition was very keen as manufacturers were eager to obtain orders by lowering the selling prices. On the other hand, prices of raw materials had been increasing substantially since early 2010. As such, profit margins of export products stood at low level during the six months ended 30 June 2010.

Management Discussion and Analysis

Operation Review

Results of operations

	Six months ended 30 June					
	2010		2009		Change	
	RMB million	***% of Turnover***	*RMB million*	*% of Turnover*	*RMB million*	*%*
Geographic region						
PRC sales	**2,628.4**	**56.4**	1,597.3	53.0	+1,031.1	+64.6
Asia (excluding PRC)	**856.1**	**18.3**	669.2	22.2	+186.9	+27.9
Americas	**572.2**	**12.3**	341.3	11.3	+230.9	+67.6
Africa	**317.7**	**6.8**	206.9	6.9	+110.8	+53.6
Europe	**284.7**	**6.1**	188.1	6.3	+96.6	+51.4
Others	**5.0**	**0.1**	9.9	0.3	-4.9	-49.5
Overseas sales	**2,035.7**	**43.6**	1,415.4	47.0	+620.3	+43.8
Total turnover	**4,664.1**	**100.0**	3,012.7	100.0	+1,651.4	+54.8

PRC Sales

With improvement in market environment, the Group's sales was mainly contributed by domestic market during the first six months of 2010. Domestic demand of residential air-conditioners had been stimulated by government supportive policies and high energy-saving air-conditioners became the main product line. Due to the increasing demand for its high energy-saving products, the Group's PRC sales increased substantially. As a result, the sales generated from the PRC market increased by RMB1,031.1 million or 64.6% to RMB2,628.4 million (30 June 2009: RMB1,597.3 million), representing 56.4% of the total turnover for the six months ended 30 June 2010 (30 June 2009: 53.0%).

Overseas Sales

Since the global economic condition had been improving during the first half of 2010, the Group's sales to all overseas regions recorded positive growth except the other regions during the period under review. The Group recorded overseas sales of approximately RMB2,035.7 million (30 June 2009: RMB1,415.4 million) for the six months ended 30 June 2010, representing a substantial increase of 43.8% or RMB620.3 million.

The increase in Group's overseas sales in the first half of 2010 was mainly contributed by the increases of 27.9% and 67.6% in sales in the Asian (excluding PRC) and American markets respectively. These two markets remained the major overseas markets of the Group, which accounted for 18.3% and 12.3% (30 June 2009: 22.2% and 11.3% respectively) of the Group's turnover during the six months ended 30 June 2010.

Despite surge in the Group's overseas sales, PRC sales increased at a faster rate. As such, as a percentage of the Group's total turnover, overseas sales dropped slightly to 43.6% (30 June 2009: 47.0%) for the six months ended 30 June 2010.

Management Discussion and Analysis

Financial Review

Turnover

During the six months ended 30 June 2010, the Group's total turnover was approximately RMB4,664.1 million (30 June 2009: approximately RMB3,012.7 million), an increase of RMB1,651.4 million, or 54.8% as compared to the corresponding period in 2009. The increase was primarily due to (i) the significant year-on-year increase of more than 54.0% in the sales volume of residential air-conditioning products during the first half of 2010 and (ii) increase in average selling price.

The Group was entitled to the government subsidies of RMB596.1 million for its sale of energy-saving products to end-users and gross receipts (sum of turnover and government subsidies for high energy-saving products) received by the Group in relation to its principal operation amounted to RMB5,260.2 million (30 June 2009: RMB3,012.7 million), an increase of 74.6% or RMB2,247.6 million as compared to the first half of 2009.

Cost of goods sold

Both prices of raw materials, parts and components costs and sales volume of the Group increased during the first half of 2010. As such, cost of goods sold during the period under review increased in line with the turnover to RMB4,425.4 million (30 June 2009: RMB2,531.5 million), representing an increase of RMB1,893.9 million or 74.8% as compared to that of the first half of 2009.

Gross profit

As part of the receipts from the sales of energy-saving products received by the Group in the form of government subsidies under the "Promotion of Energy Efficient Appliances Scheme", the Group recorded a gross profit of RMB238.7 million for the first half of 2010 (30 June 2009: RMB 481.2 million) which decreased by RMB242.5 million or 50.4% as compared with that of the corresponding period of 2009. However, as the Group was entitled to the government subsidies for energy-saving products amounting to RMB596.1 million (30 June 2009: nil) for the six months ended 30 June 2010, consolidated segment results of operation (sum of gross profit and the government subsidies for energy-saving products) for the first half of 2010 totaled RMB834.8 million (30 June 2009: RMB481.2 million), representing an increase of RMB353.6 million or 73.5% from that of 2009.

As the consolidated segment results of operation increased substantially, the Group's gross margin (calculated as consolidated segment results to turnover) increased from 16.0% in the first half of 2009 to 17.9% for the six months ended 30 June 2010.

As more high-end products were sold in the first half of 2010, the gross margin of the Group's PRC sales increased to 30.6% for the first half of 2010 while that of the Group's overseas sales dropped significantly to 1.5% in the first half of 2010. The decrease of gross margin of overseas sales was due to (i) surge in prices of raw materials at the beginning of 2010; (ii) lower average selling prices of export products because of keen competition and many orders fixed during trade fairs in the last quarter of 2009 when the prices of raw materials were at relatively lower level. Among the overseas regions, American and other overseas regions contributed the most to the profitability of the Group and achieved gross margins of 2.6% and 24.7% respectively in the first half of 2010.

Management Discussion and Analysis

Government subsidies for high energy-saving products

The Group continued its strong sales of high energy-saving products in the PRC during the first half of 2010. For the six months ended 30 June 2010, the Group was entitled to the government subsidies of RMB596.1 million (30 June 2009: nil) for high energy-saving products. These government subsidies were part of the gross receipts received by the Group in relation to its principal operation.

Other income

Other income was RMB28.2 million (30 June 2009: RMB18.5 million), an increase of RMB9.7 million or 52.4%, because of increases in non-operating income and other government subsidies.

Selling and distribution costs

The Group's selling and distribution costs increased to RMB323.9 million (30 June 2009: RMB215.8 million), representing an increase of RMB108.1 million or 50.1% for the six months ended 30 June 2010. This increase was mainly due to increases in (i) salary and allowance of sales personnel; (ii) transportation cost; and (iii) advertising and promotion costs as a result of increase in the Group's sales during the period under review.

Administrative expenses

Administrative expenses of the Group increased by RMB102.5 million or 112.6% to RMB193.5 million (30 June 2009: RMB91.0 million) for the six months ended 30 June 2010. The increase in administrative expenses was primarily due to increases in (i) salaries and benefits of administrative staff; and (ii) other non-operating expenses during the period under review.

Equity-settled share based payments

The Group recorded an equity-settled share based payments of RMB83.8 million (30 June 2009: nil) for the six months ended 30 June 2010. Among the expenses, approximately RMB61.5 million was a one-off expense in relation to the fair value of the shares given by the Company's controlling shareholder, Mr. Li Xinghao in June 2010 to the Group's employees and customers as a reward for their contribution to the Group. The Group notes that this expense is a non-cash item and does not expect to incur this expense in the coming accounting periods.

Approximately RMB22.3 million was the share-based payments in relation to the share options granted by the Company to certain employees and customers in November 2009.

Research and development costs

Research and development costs was RMB6.5 million and remained relatively stable (30 June 2009: RMB6.7 million) with a slight decrease of 3.0% or RMB0.2 million during the first half of 2010.

Other expenses

Other expenses increased by RMB6.9 million or 135.3% during the first half of 2010 and amounted to RMB12.0 million. The increase was attributable to the charitable donations made by the Group in the PRC during the period under review.

Other gains and losses

Other gains and losses increased by RMB2.0 million or 71.4% to RMB4.8 million (30 June 2009: RMB2.8 million) in the first half of 2010. The increase was mainly due to the net increase in allowance for doubtful debts made by the Group during the period under review.

Net gain in fair value changes of derivative financial instruments

The Group recorded a net gain of approximately RMB15.0 million in fair value changes of derivative financial instruments for the six months ended 30 June 2010 because exchange rate of RMB against USD appreciated favourably to the Group.

Finance costs

Since the Group had utilised more short-term bank loans to finance its working capital requirement as a result of the substantial increase in turnover, the Group's interest on bank borrowing increased by RMB15.3 million or 45.1% to RMB49.2 million (30 June 2009: RMB33.9 million) for the six months ended 30 June 2010.

Taxation

As part of the receipts from sales of energy-saving products was not subjected to tax, the Group's tax charge was RMB9.9 million (30 June 2009: RMB24.4 million), decreasing by RMB14.5 million or 59.4% for the six months ended 30 June 2010.

Profit and total comprehensive income recognised for the period

As a result of the foregoing, the Group recorded a profit of RMB278.3 million for the six months ended 30 June 2010 (30 June 2009: RMB135.8 million), representing a significant increase of RMB142.5 million or 104.9% as compared to the corresponding period in 2009. Net profit of the Group increased significantly during the reporting period, net margin reached 6.0% for the first half of 2010.

Financial position

	As at 30 June 2010 *RMB million*	As at 31 December 2009 *RMB million*	Change *RMB million*	Change *%*
Non-current assets	**667.9**	634.3	+33.6	+5.3
Current assets	**6,410.5**	4,931.4	+1,479.1	+30.0
Current liabilities	**4,846.5**	3,644.3	+1,202.2	+33.0
Non-current liabilities	**80.0**	75.5	+4.5	+6.0
Net assets	**2,151.9**	1,845.9	+306.0	+16.6

As at 30 June 2010, the Group's total consolidated assets increased by RMB1,512.7 million or 27.2% to RMB7,078.4 million (31 December 2009: RMB5,565.7 million). The increase was mainly from the current assets such as inventories (increased by RMB376.0 million) and trade and bills receivables (increased by RMB751.8 million). Total consolidated liabilities of the Group as at 30 June 2010 amounted to RMB4,926.5 million (31 December 2009: RMB3,719.8 million) and increased by RMB1,206.7 million or 32.4% as compared to that of 31 December 2009. The major liabilities that increased in the period were trade and other payables (increased by RMB530.3 million) and short-term bank loans (increased by RMB680.5 million). While the Group recorded a significant increase in net profit for the period, the Group's net assets also recorded an increase of 16.6% or RMB306.0 million to RMB2,151.9 million as at 30 June 2010 (31 December 2009: RMB1,845.9 million).

Liquidity, financial resources and capital structure

As at 30 June 2010, the Group's current assets amounted to RMB6,410.5 million (31 December 2009: RMB4,931.4 million) and current liabilities amounted to RMB4,846.5 million (31 December 2009: RMB3,644.3 million). The Group's working capital increased by RMB276.8 million or 21.5% from RMB1,287.2 million as at the end of 2009 to RMB1,564.0 million at the end of the period under review. As a result of a relatively higher increase in current liabilities, the Group's current ratio dropped slightly from 1.4 times as at 31 December 2009 to 1.3 times as at 30 June 2010.

As at 30 June 2010, the balance of short-term bank loans owed by the Group was RMB1,560.9 million (31 December 2009: RMB880.4 million), increasing by RMB680.5 million or 77.3%. The bank loans charged at fixed interest rates and repayable within one year were used for working capital purposes. Most of the bank loans were made and are repayable in Renminbi.

The gearing ratio (calculated as interest-bearing loans and other borrowings to total assets) of the Group increased from 15.8% at the end of 2009 to 22.1% as at 30 June 2010 (30 June 2009: 24.2%). The increase in balance of short-term bank loans and gearing ratio was mainly because (i) more bank loans were required as working capital for procurement and operation to meet the higher demand of products during the peak season in summer and (ii) part of the gross receipts from sales of products was yet to be received by the Group as government subsidies receivable.

Ability of the Group to service finance costs, as indicated by interest coverage kept improving during the first half of 2010. As the net profit increased faster than the finance costs, interest coverage of the Group increased to 6.9 times for the six months ended 30 June 2010 as compared to 5.7 times in the same period last year.

During the period under review, the Group had entered into certain foreign currency forward contracts to hedge against part of its exposure on potential variability of foreign currency risk. As at 30 June 2010, the total financial exposure of the Group to these foreign currency forward contracts was approximately RMB6.6 million.

The Company has not issued any new shares during the first half of 2010. As at 30 June 2010, the Company had issued share capital of RMB4.5 million and 510,874,000 shares in issue. All of the issued shares were ordinary shares.

As the Company recorded a significant increase in net profit for the period, the shareholders' equity increased to RMB2,151.9 million as at 30 June 2010 (31 December 2009: RMB1,845.9 million).

Under the share option scheme adopted by the Company, there were share options in respect of the subscription for 49,460,000 new shares of the Company outstanding as at 30 June 2010.

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

Cash flows

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
Net cash (used in) from operating activities	**(623.8)**	352.0
Net cash from (used in) investing activities	**113.5**	(163.8)
Net cash from financing activities	**575.1**	120.5
Net increase in cash and cash equivalents	**64.8**	308.7
Cash and cash equivalents at 30 June	**497.6**	569.5

During the first half of 2010, the Group financed its working capital by internally generating cash flow and short-term bank loans. During the period under review, the Group's turnover increased substantially. As such, (i) the working capital requirement of the Group for procurement of raw materials and piling up of inventories for meeting the demand for products had increased; (ii) trade and bills receivables also increased in line with that of the turnover; and (iii) part of the proceeds from sales of energy-saving products, i.e. government subsidies for high energy-saving products, amounted to RMB463.1 million were yet to be received by the Group as at 30 June 2010. As a result, the Group recorded operating cash outflow after movements in working capital. For the six months ended 30 June 2010, the Group generated a net cash outflow of RMB623.8 million from operating activities (30 June 2009: cash inflow of RMB352.0 million). The Group raised bank loans of RMB1,518.3 million and repaid RMB837.9 million to the banks during the first half of 2010. As such, net cash from financing activities amounted to RMB575.1 million (30 June 2009: cash inflow of RMB120.5 million). Since the amount of bank deposits pledged to the banks decreased and more cash flows has been released, the Group generated cash inflow of RMB113.5 million (30 June 2009: cash outflow of 163.8 million) from investing activities. Part of the cash generated was primarily used to finance (i) mainly the working capital requirement; and (ii) the investing activities of the Group such as purchase and deposits paid for acquisition of property, plant and equipment.

As a result of the foregoing, the Group generated surplus cash of RMB64.8 million during the six months ended 30 June 2010 (30 June 2009: net cash inflow of RMB308.7 million) and the bank balances and cash amounted to RMB497.6 million as at 30 June 2010 (30 June 2009: RMB569.5 million).

Management Discussion and Analysis

Material acquisitions and disposals, significant investments

During the six months ended 30 June 2010, the Group has not made any material acquisitions and disposals of subsidiaries and associated companies. As at the end of the period under review, the Group did not hold any significant investments.

Charge on assets

As at 30 June 2010, certain bank deposits and inventories of the Group in an aggregate carrying amount of approximately RMB991.0 million (31 December 2009: approximately RMB1,798.3 million) were pledged to certain banks for securing the banking facilities granted to the Group.

Exposure to fluctuations in exchange rates

During the six months ended 30 June 2010, approximately 43.6% of the Group's sales was denominated in currencies other than Renminbi, predominantly the US dollar, whilst most of the costs and expenses incurred by the Group were denominated in Renminbi. In this regard, the Group may be exposed to foreign currency risk. However, as the Group had already entered into certain foreign currency forward contracts and the exchange rate of Renminbi against the US dollar remained rather stable during the reporting period, the Directors believe that the Group's exposure to foreign currency risk was not significant.

During and as at the end of the period under review, most of the assets and liabilities of the Group were denominated in Renminbi. The Directors believe that the Group's exposure to exchange rate fluctuations is minimal in this aspect.

The management of the Group will monitor foreign currency exposure from time to time and will consider further hedging as required.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2010.

Employees and remuneration

As at 30 June 2010, the Group employed 12,329 employees (30 June 2009: 12,989 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, there is also a share option scheme in place in which the employees and directors of the Group are entitled to participate.

Outlook and Future Plans

The government policies to promote home appliances, including air-conditioners, namely "Household Appliances to the Countryside", "Replacement of Household Electrical Appliance Programme" and "Promotion of Energy Efficient Appliances Scheme" will likely continue and go beyond 2010. These supportive policies will continue to expand consumer demand for air-conditioning products and upgrade the structure of the industry in the coming years. Nowadays, promotion of low-carbon economy has become more important and is the main theme of global development. In view of this global trend, the PRC government announced a new minimum allowable value of the energy efficiency and energy efficiency grades for room air-conditioners and revised promotional policy effective in mid 2010. As a pioneer in energy-saving air-conditioners, the Group is committed to making the best air-conditioner in the world and deploys resources to develop and launch more energy efficient products. After the implementation of the new energy efficiency standards and promotional policy in the second half of 2010, the Group would have more than 1,200 models of energy efficient air-conditioners, accounting for approximately 21% of the market total, being approved under the "Promotion of Energy Efficient Appliances Scheme" and available for purchase by consumers.

The Group had already experienced the rebound of overseas sales early this year and believes that it will further take advantage of the recovery of the global economy in the coming months. However, competition between manufacturers for export sales was stiff and enterprises only managed to make a thin profit in the first half of 2010. The Directors are of the view that providing value for money products and quality services to customers are vital to the development of the business of the Group. To enhance the profitability of overseas sales, the Group will reinforce its presence in the existing markets in Africa, South America and Middle East and explore new growth markets.

Having achieved a remarkable sales target in the first half of 2010, the Group is optimistic that it will be able to drive its strong sales performance forward after entering into the new 2011 refrigeration year (the 12 month period from 1 August to 31 July) in this August.

The Group has also prepared itself and formulated development strategy for the next round of technology advancement. In early August 2010, the Group announced the launching of a new energy efficient inverter air-conditioner with an energy efficiency ratio (ERR) reaching 8.36 which is in the Directors' view the most energy efficient inverter air-conditioner among similar energy-saving air-conditioning products in the market. The debut of the new air-conditioning product once again proves the competence of the research and development of the Group and secures its leading position in inverter technology within the industry. The Group also plans to establish the first research institute for high energy-saving air-conditioners with an aim to making contribution to the global carbon reduction targets.

Other Information

Interim dividend

The Directors recommend the payment of an interim dividend of 5.0 HK cents (30 June 2009: nil) per share for the six months ended 30 June 2010 to the shareholders listed in the Register of Members of the Company as at the close of business on Wednesday, 8 September 2010. The interim dividends will be distributed on or about Wednesday, 15 September 2010 to the shareholders.

Closure of Register of Members

The Register of Members of the Company was closed from Monday, 6 September 2010 to Wednesday, 8 September 2010 (both dates inclusive), during such period no transfer of shares of the Company can be registered.

Directors and the Chief Executive's Interests in shares and share options

As at 30 June 2010, the interests of the Directors in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position in the ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Approximate percentage of shareholding
Mr. Li Xinghao	Held by controlled corporation *(note)*	296,006,681	57.94
Mr. Lei Jianghang	Beneficial owner	764,050	0.15
Mr. Huang Guoshen	Beneficial owner	4,807,337	0.94
Mr. Ding Xiaojiang	Beneficial owner	402,050	0.08

Note: Mr. Li Xinghao beneficially owns approximately 99.46% of the issued share capital of Chigo Group Holding Limited which beneficially owns 296,006,681 ordinary shares of the Company.

Other Information

Long position in the shares of associated corporation

Name of Director	Associated corporation	Capacity	Number of issued ordinary shares held	Approximate percentage of shareholding
Mr. Li Xinghao	Chigo Group Holding Limited	Beneficial owner	9,946.1036	99.46

Directors' rights to acquire shares

Name of Director	Capacity	Number of options held	Number of underlying shares
Mr. Li Xinghao	Beneficial owner	220,000	220,000
Mr. Lei Jianghang	Beneficial owner	210,000	210,000
Mr. Huang Guoshen	Beneficial owner	180,000	180,000
Mr. Ding Xiaojiang	Beneficial owner	220,000	220,000
Mr. Wan Junchu	Beneficial owner	70,000	70,000
Mr. Zhang Xiaoming	Beneficial owner	70,000	70,000
Mr. Fu Xiaosi	Beneficial owner	70,000	70,000
		1,040,000	1,040,000

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporation as at 30 June 2010.

Share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 19 June 2009 for the primary purpose of providing incentives to directors, eligible employees and customers. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

At 30 June 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme and will expire on 16 November 2012 was 49,460,000 (30 June 2009: Nil), representing approximately 9.7% (30 June 2009: Nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board of Directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The following table discloses movements in the Company's share options and the underlying shares during the six months ended 30 June 2010:

Exercise period	Exercise price *(HK$)*	Outstanding at 1 January 2010	Movement during the six months ended 30 June 2010: Granted	Exercised	Cancelled	Lapsed	Outstanding at 30 June 2010	Approximate % of shareholding of the underlying shares
Category: Directors								
2010.11.17–2012.11.16	4.152	516,000	–	–	–	–	516,000	0.1%
2011.11.17–2012.11.16	4.152	524,000	–	–	–	–	524,000	0.1%
Category: Employees								
2010.11.17–2012.11.16	4.152	24,044,000	–	–	–	264,000	23,780,000	4.7%
2011.11.17–2012.11.16	4.152	24,896,000	–	–	–	276,000	24,620,000	4.8%
Category: Customers								
2010.11.17–2012.11.16	4.152	10,000	–	–	–	–	10,000	0.0%
2011.11.17–2012.11.16	4.152	10,000	–	–	–	–	10,000	0.0%
Total		50,000,000	–	–	–	540,000	49,460,000	9.7%

The closing price of the shares of the Company immediately before 17 November 2009, the date of grant of the above options, was HK$4.09.

Other Information

Substantial shareholder's interests in shares

As at 30 June 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of shareholding
Chigo Group Holding Limited *(Note)*	Beneficial owner	296,006,681	57.94

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2010.

Purchase, sale or redemption of listed shares of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the shares of the Company during the six months ended 30 June 2010.

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. During the first half of 2010, the Company has complied with the code provisions set out in the CG Code except for the deviation from Code Provision A.2.1 of the CG Code.

Code Provision A.2.1 of the CG Code stipulates that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

During the first half of 2010, Mr. Li Xinghao acted as both Chairman and Chief Executive Officer (the "CEO") of the Company.

The responsibilities of the Chairman and CEO of the Company have been clearly established and set out in writing. Chairman of the Board will be responsible for the effective running of the Board and the management of the Board's affairs. CEO will be primarily responsible for the formulation of the Group's business and development strategies.

Mr. Li is the founder of the Group and has over 15 years of experience in the air-conditioning industry. The Directors believe that Mr. Li is a good leader to lead the Board and vesting the roles of Chairman and CEO in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. As such, it is beneficial to the business prospects of the Company.

The Directors will continue to review the effectiveness of the corporate governance structure of the Group and assess whether changes, including the separation of the roles of Chairman and CEO, are necessary.

Model Code for Securities Transaction 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 Listing Rules as its own code regarding securities transactions by the Directors (the "Own Code"). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Own Code. All Directors have confirmed their compliance during the first half of 2010 with the required standards set out in the Model Code and the Own Code.

Review of the Interim Results

The audit committee (the "Audit Committee") of the Company comprises of three independent Non-Executive Directors, namely, Messrs. Fu Xiaosi, Zhang Xiaoming and Wan Junchu. Mr. Fu Xiaosi is the Chairman of the Audit Committee.

The Company's unaudited interim results for the six months ended 30 June 2010 have been reviewed by the Audit Committee with the management of the Company.

By Order of the Board
Chigo Holding Limited
Li Xinghao
Chairman

Hong Kong, 20 August 2010

Report on Review of Interim Financial Information

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 19 to 30, which comprises the condensed consolidated statement of financial position of Chigo Holding Limited and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 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 34 "Interim Financial Reporting" ("HKAS 34") 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

20 August 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Turnover	3	**4,664,113**	3,012,652
Cost of goods sold		**(4,425,369)**	(2,531,470)
Gross profit		**238,744**	481,182
Government subsidies for high energy-saving products	4	**596,094**	–
Other income		**28,234**	18,474
Selling and distribution costs			
– Equity-settled share based payment		**(26,434)**	–
– Other selling and distribution costs		**(297,538)**	(215,785)
Administrative expenses			
– Equity-settled share based payment		**(57,409)**	–
– Other administrative expenses		**(136,057)**	(90,981)
Research and development costs		**(6,501)**	(6,686)
Other expenses		**(12,020)**	(5,135)
Other gains and losses		**(4,842)**	(2,811)
Net gain in fair value changes of derivative financial instruments		**15,040**	15,859
Interest on bank borrowings wholly repayable within five years		**(49,178)**	(33,941)
Profit before taxation	5	**288,133**	160,176
Taxation	6	**(9,859)**	(24,412)
Profit for the period and total comprehensive income for the period		**278,274**	135,764
Earnings per share	8		
– Basic		**RMB54.5 cents**	RMB31.8 cents
– Diluted		**RMB53.3 cents**	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**417,537**	396,271
Land use rights		**81,573**	82,803
Intangible assets		**2,382**	2,455
Prepaid lease payments		**125,213**	123,012
Deposits made on acquisition of property, plant and equipment		**29,802**	19,404
Deferred tax assets		**11,385**	10,340
		667,892	634,285
Current assets			
Inventories		**2,062,036**	1,686,050
Trade and other receivables	10	**2,905,926**	1,697,527
Land use rights		**2,054**	1,852
Prepaid lease payments		**6,026**	5,976
Taxation recoverable		**8,202**	8,202
Derivative financial instruments		**7,611**	3,844
Pledged bank deposits		**921,115**	1,095,160
Bank balances and cash		**497,554**	432,794
		6,410,524	4,931,405
Current liabilities			
Trade and other payables	11	**3,169,162**	2,638,879
Warranty provision		**37,016**	34,255
Taxation payable		**78,455**	78,455
Derivative financial instruments		**1,002**	12,229
Short-term bank loans		**1,560,889**	880,436
		4,846,524	3,644,254
Net current assets		**1,564,000**	1,287,151
Total assets less current liabilities		**2,231,892**	1,921,436
Non-current liabilities			
Government grants		**61,212**	61,866
Deferred tax liabilities		**18,815**	13,626
		80,027	75,492
Net assets		**2,151,865**	1,845,944
Capital and reserves			
Share capital		**4,503**	4,503
Reserves		**2,147,362**	1,841,441
Total equity		**2,151,865**	1,845,944

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Share compensation reserve RMB'000 (Note b)	Share options reserve RMB'000	Statutory surplus reserve fund RMB'000 (Note c)	Retained profits RMB'000	Total RMB'000
At 1 January 2010	**4,503**	**372,298**	**(26,408)**	**1,967**	**6,048**	**141,139**	**1,346,397**	**1,845,944**
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	**278,274**	**278,274**
Recognition of equity-settled share based payments		–	–	**61,568**	**22,275**	–	–	**83,843**
Dividends paid	–	–	–	–	–	–	**(56,196)**	**(56,196)**
At 30 June 2010 (unaudited)	**4,503**	**372,298**	**(26,408)**	**63,535**	**28,323**	**141,139**	**1,568,475**	**2,151,865**
At 1 January 2009	1	230,084	(26,408)	1,967	–	112,419	1,060,338	1,378,401
Profit for the period and total comprehensive income 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

For prior period:

– 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, Messrs. Li Xinghao and Li Longyi and the consideration paid by the employees in obtaining those shares; and

During the current period:

– the fair value of 9,101,278 shares of the Company given by the Company's controlling shareholder Mr. Li Xinghao, free of charges, to the Group's employees, amounting to RMB35,133,000 in aggregate, and 6,847,827 shares of the Company given by Mr. Li Xinghao, free of charge, to certain customers of the Group, amounting to RMB26,435,000 in aggregate, as reward for their past services and contribution to the Group. The fair value of these shares is determined by the closing price of the Company's shares on the date of grant. These shares vested immediately at the date of grant without any vesting conditions.

(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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(623,813)**	351,982
Investing activities		
Interest received	**9,507**	13,246
Purchase of property, plant and equipment	**(48,919)**	(34,414)
Deposits paid on acquisition of property, plant and equipment	**(16,164)**	(4,113)
Decrease (increase) in pledged bank deposits	**174,045**	(136,714)
Other investing activities	**(4,975)**	(1,793)
Net cash from (used in) investing activities	**113,494**	(163,788)
Financing activities		
Interest paid	**(49,178)**	(33,941)
Dividends paid	**(56,196)**	–
Repayment to ultimate holding company	**–**	(28,250)
Repayment to a director	**–**	(15,580)
Bank loans raised	**1,518,327**	1,141,258
Repayment of bank loans	**(837,874)**	(942,986)
Net cash from financing activities	**575,079**	120,501
Net increase in cash and cash equivalents	**64,760**	308,695
Cash and cash equivalents at 1 January	**432,794**	260,834
Cash and cash equivalents at 30 June	**497,554**	569,529
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**497,554**	569,529

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 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 have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2009, except as described below:

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA.

The Group applies Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

As part of the improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and the Group presented the prepayment as leasehold land in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement that leasehold land must be classified as operating leases. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. After reassessment, the directors of the Company concluded that no reclassification was necessary.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 24 (Revised)	Related party disclosures[5]
HKAS 32 (Amendment)	Classification of rights issues[2]
HKFRS 1 (Amendments)	Limited exemption from comparative IFRS 7 disclosures for first-time adopter[3]
HKFRS 9	Financial instruments[4]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[5]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[3]

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*
2 *Effective for annual periods beginning on or after 1 February 2010.*
3 *Effective for annual periods beginning on or after 1 July 2010.*
4 *Effective for annual periods beginning on or after 1 January 2013.*
5 *Effective for annual periods beginning on or after 1 January 2011.*

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the 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

Segment information has been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), the Board of Directors, for the purpose of allocating resources to segments and assessing their performance. The CODM reviews the revenue and result by geographical location for performance assessment and resource allocation. No analysis of segment assets or segment liabilities is present as they are not regularly provided to the CODM.

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		Results For the six months ended	
	30.6.2010	30.6.2009	**30.6.2010**	30.6.2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Mainland China (the "PRC")	**2,628,369**	1,597,245	**803,555**	243,042
Asia (excluding PRC)	**856,073**	669,211	**13,732**	118,007
Americas	**572,247**	341,361	**14,903**	52,171
Africa	**317,668**	206,879	**884**	38,949
Europe	**284,695**	188,081	**516**	26,793
Others	**5,061**	9,875	**1,248**	2,220
	4,664,113	3,012,652	**834,838**	481,182
Unallocated other income			**28,234**	18,474
Unallocated expenses			**(320,864)**	(208,518)
Staff costs			**(199,403)**	(111,604)
Charitable donations			**(12,020)**	–
Allowance for doubtful debts			**(8,514)**	(1,276)
Net gain in fair value changes of derivative financial instruments			**15,040**	15,859
Finance costs			**(49,178)**	(33,941)
Profit before taxation			**288,133**	160,176

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

4. GOVERNMENT SUBSIDIES FOR HIGH ENERGY-SAVING PRODUCTS

In order to promote the energy-saving products, the PRC government announced the "Promotion of energy efficient appliances scheme" (the "Energy-Saving Scheme") on 18 May 2009. Under the Energy-Saving Scheme, the manufacturing entities are eligible for the government subsidies on the manufactured energy-saving electrical products upon reporting of its sales to the PRC government authority.

During the period, the Group was entitled to the government subsidies of RMB596,094,000 (2009: Nil) in respect of energy-saving products.

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Allowance for doubtful debts included in other gains and losses	**9,899**	1,544
Allowance for inventories	**3,384**	11,158
Amortisation of intangible assets included in administrative expense	**182**	179
Depreciation of property, plant and equipment	**31,827**	29,801
Charitable donations in PRC	**12,020**	–
Provision for warranty	**11,639**	7,825
and after crediting:		
Government subsidies included in other income*	**6,487**	3,130
Recovery of doubtful debts included in other gains and losses	**1,385**	268
Interest income	**9,507**	13,246

* *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.*

6. TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC income tax	**–**	(17,665)
Deferred taxation	**(9,859)**	(6,747)
	(9,859)	(24,412)

The PRC income tax for prior period is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. No provision for PRC income tax has been made in 2010 as the PRC subsidiary had no assessable profit for the period.

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 first profit making year selected by the PRC subsidiary is the calendar year of 2007. 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 and 30 June 2010 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 information as the Group's Hong Kong operations had no assessable profit for the period.

7. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends		
– 2009 final dividend of RMB11.0 (2008: Nil) cents per share paid	**56,196**	–
– 2010 proposed interim dividend of HKD5.0 cents (equivalent to RMB4.37 cents) (2009: Nil) per share	**22,313**	–

The interim dividend of HKD5.0 cents (equivalent to RMB4.37 cents) per share (2009: Nil) which was proposed by the directors of the Company for the period is calculated on the basis of 510,874,000 shares in issue as at the date of this announcement.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings for the purpose of basic and diluted earnings per share	**278,274**	135,764

Number of shares

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**510,874**	427,500
Effect of dilutive potential ordinary shares on share options	**11,153**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**522,027**	

8. EARNINGS PER SHARE *(Continued)*

The calculation of the basic earnings per share for the period is based on the consolidated profit for the period and on the weighted average number of 510,874,000 (2009:427,500,000) shares in issue during the period on the assumption that the capitalisation issue in 2009 has been effective on 1 January 2009.

There was no dilutive potential ordinary shares outstanding for the six months ended 30 June 2009.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB54,685,000 (2009: RMB38,399,000) on acquisition of machinery and manufacturing plant in the PRC to upgrade its manufacturing capabilities.

10. TRADE AND OTHER RECEIVABLES

	30.6.2010	31.12.2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**1,169,144**	1,114,753
Bills receivables	**1,167,981**	470,529
	2,337,125	1,585,282
Government subsidies receivables for high energy-saving products	**463,140**	62,196
Deposits paid to suppliers	**48,844**	2,659
Prepayments	**5,263**	8,978
Advances to staff	**16,887**	17,573
Other receivables	**34,667**	20,839
	2,905,926	1,697,527

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:

	30.6.2010	31.12.2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 – 30 days	**615,673**	546,877
31 – 60 days	**334,256**	278,927
61 – 90 days	**567,655**	326,720
91 – 180 days	**735,758**	431,022
181 – 365 days	**83,783**	1,736
	2,337,125	1,585,282

11. TRADE AND OTHER PAYABLES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Trade payables	544,538	275,173
Bills payables	2,203,758	1,915,045
	2,748,296	2,190,218
Customers' deposits	300,898	344,599
Payroll and welfare payables	24,773	13,670
PRC business tax payable	7,156	7,156
Other payables	88,039	83,236
	3,169,162	2,638,879

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:

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Age		
0 – 90 days	1,458,389	1,435,292
91 – 180 days	1,272,704	717,855
181 – 365 days	14,302	34,373
Over 1 to 2 years	2,901	2,698
	2,748,296	2,190,218

12. RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the period, the Group paid messing expenses totaling RMB455,000 (2009: RMB403,000) to a related company, which is controlled by Mr. Li Xinghao.

(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 RMB1,001,000 (2009: RMB578,000).