CHIGO • LET THE CITY MORE LOW CARBON

Interim Report 2011

CHIGO

CHIGO HOLDING LIMITED
志 高 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 449

Contents

Financial Highlights

Turnover increased by **18.6%** to RMB **5,529.4** million

Net margin decreased from **6.0%** to net loss margin **0.2%**

Consolidated segment results decreased by **3.8%** to RMB **802.8** million

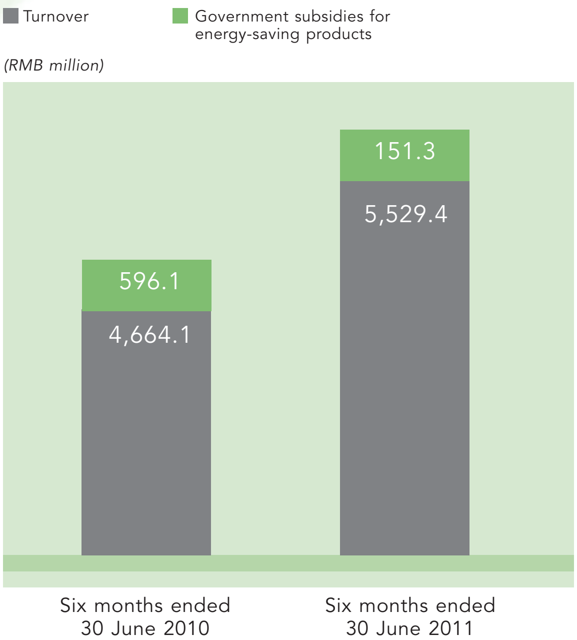
Total assets increased by **21.8%** (as compared to 31 December 2010) to RMB **9,325.2** million

Gross margin (consolidated segment results to turnover) decreased from **17.9%** to **14.5%**

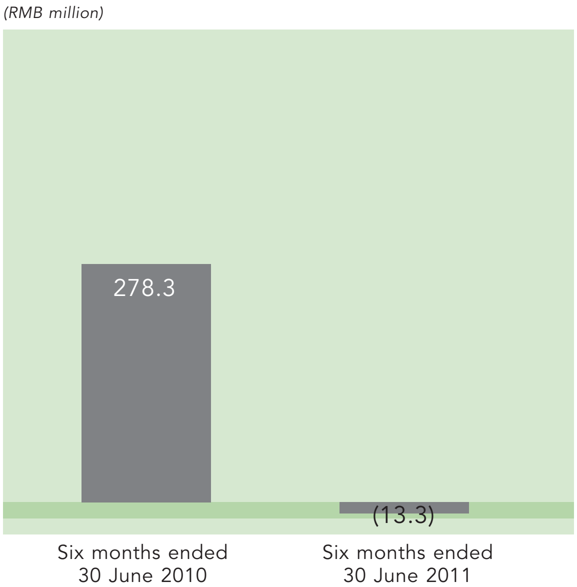
Net assets increased by **11.2%** (as compared to 31 December 2010) to RMB **2,727.2** million

Profit for the period decreased by **104.8%** to loss for the period RMB **13.3** million

Turnover and gross receipts



(Loss) profit for the period



Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

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
China Minsheng Banking Corp., Ltd., Foshan Branch

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISER AS TO HONG KONG LAW

Reed Smith Richards Butler

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 2011:	
No. of shares issued:	8,434,008,000 shares
Market capitalisation:	HKD5.82 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
Email: ir@china-chigo.com.hk

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

For the first half of 2011, the unaudited consolidated results was a bittersweet one to the Group. The Group continued to record growth in turnover. On the other hand, the Group recorded a net loss during the period under review due to (i) decrease in underlying profit because of a significant decrease in government subsidies relating to the Energy-Saving Scheme and (ii) a substantial amount of non-cash expenses relating to fair value changes of warrants.

The PRC government's Energy-Saving Scheme for the promotion of energy efficient appliances expired on 1 June 2011. Under the Energy-Saving Scheme, the subsidies provided for the second year of the scheme (from 1 June 2010 to 31 May 2011) were generally lower compared to when the scheme was first launched in May 2009. Accordingly, there was a significant decrease in the amount of government subsidies received by the Group for the six months ended 30 June 2011 (compared with that for the same period in 2010).

In anticipation of the above, starting 1 January 2011, the Group began to adjust its product mix and increase its proportion of sales in air-conditioning products that did not fall into the Energy-Saving Scheme, the Group's sales of products that did not fall into the said scheme constituted a majority of the Group's sales.

The Group kept its growth momentum overseas and improved its gross margin sharply during the first six months of 2011.

Turnover and gross profit (which did not include any income relating to the Energy-Saving Scheme) of the Group increased during the six months ended 30 June 2011 (compared with those for the same period in 2010). Such increase in turnover was primarily due to an increase in the average sales prices of air-conditioning products, and hence an increase in gross profit, which was partially offset by an increase in the raw materials price during the period.

Thus, for the above reasons, the Group needs more time to adjust sales prices and product mix to absorb the negative effects of subsidies reduction and cost increase and recorded a significant decrease in its underlying profit for the first half of 2011, as compared with the same period in 2010. Nevertheless, the Group had taken certain strategies and measures actively to tackle the drop in profit caused by unfavourable changes and already seen an improvement on its underlying profit and achieved a moderate increase compared with those for the second half of 2010. Hopefully, the situation would further improve in the coming seasons when the Group's business strategies take full effect.

During the period under review, the Group had established a 70% indirectly owned subsidiary, 廣東志高暖通設備股份有限公司 (Guangdong Chigo Heating & Ventilation Equipment Co., Ltd.) for the development of its commercial air-conditioning business. Such new commercial arm is a key driver of business growth of the Group and is expected to make more contribution to the Group in the coming year. Furthermore, the Group's new manufacturing facilities in Jiujiang, Jiangxi Province, the PRC, has been established and will commence full operation this year which can increase the Group's production capacity and service the Group's business requirements in that region.

Operation Review

Results of operations

	Six months ended 30 June					
	2011		2010		Change	
	RMB million	***% of Turnover***	*RMB million*	*% of Turnover*	*RMB million*	*%*
Geographic region						
PRC sales	**3,201.6**	**57.9**	2,628.4	56.4	+573.2	+21.8
Asia (excluding PRC)	**1,215.4**	**22.0**	856.1	18.3	+359.3	+42.0
Americas	**594.0**	**10.7**	572.2	12.3	+21.8	+3.8
Africa	**90.3**	**1.6**	317.7	6.8	-227.4	-71.6
Europe	**412.6**	**7.5**	284.7	6.1	+127.9	+44.9
Oceania	**15.5**	**0.3**	5.0	0.1	+10.5	+210.0
Overseas sales	**2,327.8**	**42.1**	2,035.7	43.6	+292.1	+14.3
Total turnover	**5,529.4**	**100.0**	4,664.1	100.0	+865.3	+18.6

PRC Sales

PRC sales was the major source of sales and accounted for more than 57.9% (30 June 2010: 56.4%) of total turnover of the Group during the first six months of 2011. As the Group refined its product mix and adopted proactive pricing strategy to minimize the impacts of raw material cost increase and the government subsidies reduction, the Group's PRC sales increased by RMB573.2 million or 21.8% to RMB3,201.6 million (30 June 2010: RMB2,628.4 million).

Overseas Sales

The Group recorded sales growth in most of its overseas markets except Africa in the first half of 2011. Overseas sales increased by 14.3% or RMB292.1 million to RMB2,327.8 million (30 June 2010: RMB2,035.7 million) and accounted for 42.1% (30 June 2010: 43.6%) of the total turnover of the Group for the six months ended 30 June 2011. Among these overseas sales regions, Asian (excluding PRC) and European markets contributed most to the sales growth with growth rates of 42.0% and 44.9% respectively.

The major overseas markets of the Group were Asia and Americas. These two markets accounted for 22.0% and 10.7% respectively (30 June 2010: 18.3% and 12.3%) of the Group's turnover during the six months ended 30 June 2011.

Management Discussion and Analysis

Financial Review

Turnover

During the six months ended 30 June 2011, the Group's total turnover was approximately RMB5,529.4 million (30 June 2010: approximately RMB4,664.1 million), an increase of RMB865.3 million, or 18.6% as compared to the corresponding period in 2010. The increase was primarily due to increase in average selling price of products sold.

The Group was entitled to the government subsidies of RMB151.3 million (30 June 2010: approximately RMB596.1 million) during the first half of 2011 for its sale of energy-saving products to end-users, representing a substantial decrease of 74.6% or RMB444.8 million from the first half of 2010. Gross receipts (sum of turnover and government subsidies for high energy saving products) received by the Group during the first half of 2011 in relation to its principal operation amounted to RMB5,680.8 million (30 June 2010: RMB5,260.2 million), an increase of 8.0% or RMB420.6 million as compared to the first half of 2010.

Cost of goods sold

Because of increase in (i) prices of raw materials, parts and components costs, and (ii) installation cost during the first half of 2011, cost of goods sold during the period under review increased in line with the turnover to RMB4,878.0 million (30 June 2010: RMB4,425.4 million), representing an increase of RMB452.6 million or 10.2% as compared to that of the first half of 2010.

Gross profit

The Group recorded a gross profit of RMB651.4 million for the first half of 2011 (30 June 2010: RMB238.7 million) which increased by RMB412.7 million or 172.9% as compared with that of the corresponding period of 2010. As the Group was entitled to the government subsidies for energy-saving products amounting to RMB151.3 million (30 June 2010: RMB596.1 million) for the six months ended 30 June 2011, consolidated segment results of operation (sum of gross profit and the government subsidies for energy-saving products) for the first half of 2011 totaled RMB802.8 million (30 June 2010: RMB834.8 million), representing a decrease of RMB32.0 million or 3.8% from that of 2010.

As a result, the Group's gross margin (calculated as consolidated segment results to turnover) decreased from 17.9% in the first half of 2010 to 14.5% for the six months ended 30 June 2011.

Affected by the reduction of government subsidies for energy-saving products, the gross margin of the Group's PRC sales decreased to 17.6% (30 June 2010: 30.6%) for the first half of 2011. For products sold overseas, the Group responded customers with appropriate pricing strategy, the Group's gross margin of overseas sales improved sharply and jumped from 1.5% the same period last year to 10.3%.

Government subsidies for high energy-saving products

As the PRC government's Energy-Saving Scheme for the promotion of energy efficient appliances expired on 1 June 2011 and subsidies provided for each unit of products sold had reduced since last June, the amount of government subsidies received by the Group decrease significantly in the first half of 2011. For the six months ended 30 June 2011, the Group was entitled to the government subsidies for high energy-saving products of RMB151.3 million (30 June 2010: RMB596.1 million).

Other income

Other income was RMB26.0 million (30 June 2010: RMB28.2 million), a decrease of RMB2.2 million or 7.8%, because of decreases in non-operating income and other government subsidies.

Selling and distribution costs

Excluding the equity-settled share based payments, the Group's selling and distribution costs increased to RMB415.6 million (30 June 2010: RMB297.5 million), representing an increase of RMB118.1 million or 39.7% for the six months ended 30 June 2011. This increase was mainly due to increases in (i) advertising and promotion costs; (ii) transportation cost; and (iii) salary and allowance of sales personnel as a result of increase in the Group's sales during the period under review.

Administrative expenses

Excluding the equity-settled share based payments, administrative expenses of the Group increased by RMB41.9 million or 30.8% to RMB178.0 million (30 June 2010: RMB136.1 million) for the six months ended 30 June 2011. 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 total equity-settled share based payments of RMB7.7 million (30 June 2010: RMB83.8 million) for the six months ended 30 June 2011 which was the share-based payments in relation to the share options granted by the Company to certain employees and customers in November 2009. This non-cash expense decreased by RMB76.1 million or 90.8% because (i) there was a one-off expense in relation to the fair value of the shares given by the Company's controlling shareholder in the first half of 2010 but not in 2011 and (ii) the share-based payments in relation to the share options granted by the Company to certain employees and customers decreased to RMB7.7 million (30 June 2010: RMB22.2 million) during the period under review because the majority of the expenses had been amortised in the previous periods.

Research and development costs

Research and development costs increased to RMB16.8 million (30 June 2010: RMB6.5 million) by 158.5% or RMB10.3 million during the period under review because the Group put more resources on the development of new products including energy-efficient and inverter air-conditioners.

Other expenses

Other expenses decreased by RMB11.6 million or 96.4% during the first half of 2011 and amounted to RMB0.4 million (30 June 2010: RMB12.0 million). The expenses were mainly charitable donations made by the Group during the period under review.

Other gains and losses

Other losses increased by RMB9.7 million or 200.3% to RMB14.5 million (30 June 2010: RMB4.8 million) in the first half of 2011. The increase in other losses was mainly due to increase in expense related to exchange loss during the period under review.

Net gain in fair value changes of derivative financial instruments

The Group recorded a net gain of approximately RMB19.5 million (30 June 2010: RMB15.0 million) in fair value changes of derivative financial instruments for the six months ended 30 June 2011 because exchange rate of RMB against USD appreciated favourably to the Group and the contract amount of foreign currency forward contracts outstanding was higher.

Finance costs

The Group financed its working capital requirement for sales increase by short term bank loans and discounting part of its bills receivable from customers during the period under review. As a result of the increase in the average interest rates and the amount of credit facilities utilised, the Group's bills discounting charges and interest on bank borrowing increased by RMB23.9 million or 48.6% to RMB73.1 million (30 June 2010: RMB49.2 million) for the six months ended 30 June 2011.

Taxation

Due to part of the receipts from sales of energy saving products which was not subjected to tax decreased in the first half of 2011, the Group's tax charge increased by RMB8.0 million or 81.1% to RMB17.9 million (30 June 2010: RMB9.9 million) for the six months ended 30 June 2011.

Loss and total comprehensive expense recognized for the period

As a result of the foregoing, the Group recorded a loss of RMB13.3 million for the six months ended 30 June 2011 (30 June 2010: a profit of RMB278.3 million), representing a decrease of RMB291.6 million or 104.8% as compared to the corresponding period in 2010. Since the Group had recorded a loss in the reporting period, the Group's net margin changed from 6.0% for the six months ended 30 June 2010 to a net loss of 0.2% for the six months ended 30 June 2011 accordingly.

During the period under review, the Group incurred significant non-cash expenses, including the equity-settled share based payments amounting to RMB7.7 million (2010: RMB83.8 million) and a substantial loss of RMB137.6 million (30 June 2010: nil) relating to the loss in fair value changes of unlisted warrants. Excluding the impact of these items, the Group would achieve an underlying profit of RMB132.0 million (30 June 2010: RMB362.1 million) representing a decrease of RMB230.1 million or 63.5% because of a significant decrease of RMB444.8 million in respect of government subsidies received by the Group during the period under review. Should the underlying profit be used to indicate its profitability, the Group would achieved a net profit margin of 2.4% (30 June 2010: 7.8%) in the first half of 2011.

Financial position

	As at 30 June 2011 RMB million	As at 31 December 2010 RMB million	Change RMB million	Change %
Non-current assets	**1,045.9**	963.9	+82.0	+8.5
Current assets	**8,279.3**	6,693.8	+1,585.5	+23.7
Current liabilities	**6,492.3**	5,077.7	+1,414.6	+27.8
Non-current liabilities	**105.7**	128.0	–22.3	–17.4
Net assets	**2,727.2**	2,452.0	+275.2	+11.2

As at 30 June 2011, the Group's total consolidated assets increased by RMB1,667.5 million or 21.8% to RMB9,325.2 million (31 December 2010: RMB7,657.7 million). The increase mainly consisted of the current assets such as inventories (increased by RMB530.2 million) and trade and bills receivables (increased by RMB828.0 million). Total consolidated liabilities of the Group as at 30 June 2011 amounted to RMB6,598.0 million (31 December 2010: RMB5,205.7 million) and increased by RMB1,392.3 million or 26.7% as compared to that of 31 December 2010. The major liabilities that increased in the period were trade and other payables (increased by RMB939.4 million), short-term bank loans (increased by RMB336.6 million) and unlisted warrants (increased by RMB42.6 million). However, the unlisted warrants would not impose any obligation on the Group resulting in the transfer or use of its assets to settle the liabilities.

The Group recorded a net loss for the period. However, the Group had raised proceeds of approximately HKD247.5 million and HKD20.9 million from the exercises of part of the unlisted warrants by the warrantholders and the employees' share options respectively. As such, the Group's net assets increased by 11.2% or RMB275.2 million to RMB2,727.2 million as at 30 June 2011 (31 December 2010: RMB2,452.0 million).

Liquidity, financial resources and capital structure

As at 30 June 2011, the Group had current assets amounted to RMB8,279.3 million (31 December 2010: RMB6,693.8 million) and current liabilities amounted to RMB6,492.3 million (31 December 2010: RMB5,077.7 million). The Group's working capital increased by RMB170.9 million or 10.6% from RMB1,616.1 million as at the end of 2010 to RMB1,787.0 million as at 30 June 2011. As such, the Group maintained its current ratio of 1.3 times as at 30 June 2011, same as that at the end of 2010.

As at 30 June 2011, the balance of short-term bank loans owed by Group was RMB1,529.3 million (31 December 2010: RMB1,192.7 million) and increased by RMB336.6 million or 28.2%. The bank loans were used for working capital purposes, charged at fixed interest rates and repayable within one year. Majority of the bank loans are made and repaid in Renminbi.

The gearing ratio (calculated as interest-bearing loans and other borrowings to total assets) of the Group increased to 16.4% as at 30 June 2011 (31 December 2010: 15.6%) because more bank loans were utilised as working capital for operation during the peak season in summer.

Ability of the Group to service finance costs, as indicated by interest cover, dropped during the reporting period. Since the finance costs had been increased as more credit facilities were utilised for working capital purpose and a net loss was recorded during the period under review due to significant increase in non-cash accounting expenses, interest cover of the Group decreased to 1.1 times for the six months ended 30 June 2011 as compared to 3.8 times at the end of 2010.

During the first half of 2011, the Group had entered into certain foreign currency forward contracts to hedge against part of its exposure on potential variability of foreign currency risk. The total financial exposure of the Group to these foreign currency forward contracts was approximately RMB20.9 million (31 December 2010: RMB26.1 million) as at 30 June 2011.

The bonus issue of new shares on the basis of nine (9) bonus shares for every one (1) then existing share to the qualifying shareholders was completed on 4 January 2011. As a result, 7,078,005,000 new shares were issued by the Company.

During the six months ended 30 June 2011, 69,558,000 new shares and 500,000,000 new shares had been issued in relation to the exercises of certain share options and unlisted warrants respectively.

As a result of the aforesaid issuances of shares, the Company had issued share capital of approximately RMB71.9 million and 8,434,008,000 shares in issue as at 30 June 2011. All of the issued shares were ordinary shares.

Since the Group had raised proceeds from issue of new shares which was larger than the net loss reported during the period, the shareholders' equity increased to RMB2,727.2 million as at 30 June 2011 (31 December 2010: RMB2,452.0 million).

On 29 March 2011, shareholders of the Company approved the proposed amendments and the issue of ordinary shares of the Company upon the exercise of the subscription rights attached to the unlisted warrants. As such, the then 100,000,000 unlisted warrants were adjusted to 1,000,000,000 unlisted warrants. Each unlisted warrant carries the right to subscribe for one warrant share of the Company at the subscription price of HKD0.495 per warrant share (as adjusted by the bonus issue mentioned above). Since 500,000,000 unlisted warrants had been exercised by the warrantholders during the first half of 2011, there were 500,000,000 unlisted warrants outstanding as at 30 June 2011.

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 June 2011.

Cash flows

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Net cash used in operating activities	**(166.8)**	(623.8)
Net cash (used in) from investing activities	**(132.2)**	113.5
Net cash from financing activities	**490.1**	575.1
Net increase in cash and cash equivalents	**191.1**	64.8
Cash and cash equivalents at 30 June	**686.5**	497.6

During the first half of 2011, 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. 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 RMB64.7 million were yet to be received by the Group as at 30 June 2011. As a result, the Group recorded an operating cash outflow after movements in working capital. For the six months ended 30 June 2011, the Group generated a net cash outflow of RMB166.8 million from operating activities (30 June 2010: cash outflow of RMB623.8 million). The Group raised bank loans of RMB1,500.0 million and repaid RMB1,163.4 million to the banks during the first half of 2011. The Company also raised approximately HKD247.5 million and HKD20.9 million from the exercises of part of the unlisted warrants and the employees' share options respectively. As such, net cash from financing activities amounted to RMB490.1 million (30 June 2010: cash inflow of RMB575.1 million). Since the amount of bank deposits pledged to the banks had increased, the Group generated cash outflow of RMB132.2 million (30 June 2010: cash inflow of RMB113.5 million) from investing activities. Part of the cash generated from financing activities 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 RMB191.1 million during the six months ended 30 June 2011 (30 June 2010: net cash inflow of RMB64.8 million) and the bank balances and cash increased to RMB686.5 million as at 30 June 2011 (30 June 2010: RMB497.6 million).

Material acquisitions and disposals, significant investments

During the six months ended 30 June 2011, the Group had 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 2011, certain bank deposits of the Group in an aggregate carrying amount of approximately RMB990.0 million (31 December 2010: approximately RMB951.5 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 2011, approximately 42.1% 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 2011.

Employees and Remuneration

As at 30 June 2011, the Group employed 15,316 employees (30 June 2010: 12,329 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 management had set plans early this year, to increase production capacity, launch more advanced products including energy-efficient and inverter air-conditioners to the market, strengthen its central air-conditioning business, enhance its distribution network and brand building. The Group will stick to these plans and focus on its core competencies with an aim to promoting its corporate value.

In spite of the recent worsening of economic conditions in the Western countries, the management is of the view that China will remain as a strong economic power in the world. The Group expects to enjoy the benefits of the fast-growing China's economy and achieve a satisfactory sales performance in the PRC during the second half of 2011. With more time for the Group to raise product price level by diversifying its product lines in the latter half of 2011, the profitability of domestic sales would then be improved.

The Group learned from previous unpleasant experience of low margin and select appropriate pricing strategy, volume and profit margin of its overseas sales had already rebounded comparing to those of the same period last year. Entering into the second half of 2011, the Group expects the overseas sales to increase steadily with more orders coming from the countries in the southern hemisphere. Orders from African customers had been slowed down due to political unrest in the region since the latter half of last year. However, the Group expects that African sales will pick up again as recovery in this region will be reinforced by the customers' need to restock their low inventory levels.

Other Information

Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (30 June 2010: 5.0 HK cents).

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

As at 30 June 2011, 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 HKD0.01 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held as at 30 June 2011	Approximate percentage of shareholding[1]
Mr. Li Xinghao	Interest of a controlled corporation [2]	4,278,100,210	50.73
Mr. Lei Jianghang	Beneficial owner	6,900,750	0.08
Mr. Ding Xiaojiang	Beneficial owner	6,030,750	0.07
Mr. Huang Xingke	Beneficial owner	9,000	0.00
		4,291,040,710	50.88

Notes:

1 Based on 8,434,008,000 shares of the Company in issue as at 30 June 2011.

2 Mr. Li Xinghao beneficially owns approximately 99.46% of the issued share capital of Chigo Group Holding Limited which beneficially owns 4,278,100,210 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 as at 30 June 2011	Approximate percentage of shareholding
Mr. Li Xinghao	Chigo Group Holding Limited	Beneficial owner	9,946.1036	99.46

Directors' rights to acquire shares

Particulars of the Company's share option scheme are set out in note 17 to the condensed consolidated financial information.

Name of Director	Capacity	Number of options held as at 30 June 2011	Number of underlying shares
Mr. Li Xinghao	Beneficial owner	3,035,150	3,035,150
Mr. Lei Jianghang	Beneficial owner	1,457,190	1,457,190
Mr. Ding Xiaojiang	Beneficial owner	3,035,150	3,035,150
Mr. Huang Xingke	Beneficial owner	1,793,490	1,793,490
Mr. Wan Junchu	Beneficial owner	965,730	965,730
Mr. Zhang Xiaoming	Beneficial owner	485,730	485,730
Mr. Fu Xiaosi	Beneficial owner	485,730	485,730
		11,258,170	11,258,170

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 2011.

Share option scheme

The share option scheme of the Company was adopted by the written resolution of the Shareholders on 19 June 2009. Particulars of the Company's share option scheme are set out in note 17 to the condensed consolidated financial information.

The following table discloses movements in the Company's share options and the underlying shares during the six months ended 30 June 2011:

	Exercise period	Exercise Price (HKD)	Underlying shares exercisable under the share options: Outstanding at 1 January 2011	Adjusted	Exercised	Lapsed	Outstanding at 30 June 2011
Category 1: Directors							
Li Xinghao	2010.11.17 – 2012.11.16	0.301	303,515	2,731,635	–	–	3,035,150
Lei Jianghang	2010.11.17 – 2012.11.16	0.301	289,719	2,607,471	(1,440,000)	–	1,457,190
Ding Xiaojiang	2010.11.17 – 2012.11.16	0.301	303,515	2,731,635	–	–	3,035,150
Huang Xingke	2010.11.17 – 2012.11.16	0.301	179,349	1,614,141	–	–	1,793,490
Wan Junchu	2010.11.17 – 2012.11.16	0.301	96,573	869,157	–	–	965,730
Zhang Xiaoming	2010.11.17 – 2012.11.16	0.301	96,573	869,157	(480,000)	–	485,730
Fu Xiaosi	2010.11.17 – 2012.11.16	0.301	96,573	869,157	(480,000)	–	485,730
			1,365,817	12,292,353	(2,400,000)	–	11,258,170
Category 2: Employees							
570 employees	2010.11.17 – 2012.11.16	0.301	45,201,456	406,813,104	(67,158,000)	(4,553,930)	380,302,630
Category 3: Customers							
5 customers	2010.11.17 – 2012.11.16	0.301	27,590	248,310	–	–	275,900
Total			46,594,863	419,353,767	(69,558,000)	(4,553,930)	391,836,700

Substantial shareholder's interests and short positions in shares

As at 30 June 2011, 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 and short positions in the issued share capital of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares interested as at 30 June 2011	Approximate percentage of shareholding [1]
Long positions			
Chigo Group Holding Limited [2]	Beneficial owner	4,278,100,210	50.73
Wang Ruiyun	Interest of a controlled corporation [3]	599,874,000	7.11
	Beneficial owner	3,500,000	0.04
		603,374,000	7.15
Victory Investment China Group Limited ("Victory Investment")	Beneficial owner [3]	599,874,000	7.11
Deutsche Bank Aktiengesellschaft	Beneficial owner	253,374,646	3.00
	Investment manager	31,781,500	0.38
	Person having a security interest in shares	250,056,000	2.97
		535,212,146	6.35

Name of shareholder	Capacity	Number of issued ordinary shares interested as at 30 June 2011	Approximate percentage of shareholding[1]
Senrigan Capital Group Limited on behalf of Senrigan Master Fund	Investment manager	507,550,000	6.02
Skyworth TV Holdings Limited	Beneficial owner	425,000,000	5.04
Kingston Finance Limited ("Kingston")	Person having a security interest in shares [4]	422,800,000	5.01
Ample Cheer Limited ("Ample Cheer")	Interest of a controlled corporation [4]	422,800,000	5.01
Best Forth Limited ("Best Forth")	Interest of a controlled corporation [4]	422,800,000	5.01
Chu Yuet Wah	Interest of a controlled corporation [4]	422,800,000	5.01
Short positions			
Deutsche Bank Aktiengesellschaft	Beneficial owner	253,430,646	3.00

Notes:

1 Based on 8,434,008,000 shares of the Company in issue as at 30 June 2011.

2 Chigo Group Holding Limited is owned as to approximately 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.

3 The issued capital of Victory Investment was beneficially and wholly owned by Mr. Wang Ruiyun.

4 The interest in the shares of the Company was held through Kingston, the entire issued share capital of which was owned by Ample Cheer. The issued capital of Ample Cheer was owned as to 80% by Best Forth, an entity which was beneficially and wholly owned by Mrs. Chu Yuet Wah.

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 2011.

Other Information

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 2011.

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 2011, 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 2011, 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 16 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 2011 with required standards set out in the Model Code and the Own Code.

Other Information

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 interim results for the six months ended 30 June 2011 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, 29 August 2011

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 21 to 40, which comprises the condensed consolidated statement of financial position of Chigo Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 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 "HKICPA"). 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 HKICPA. 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

29 August 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	**Six months ended 30 June** **2011** ***RMB'000*** **(unaudited)**	2010 *RMB'000* (unaudited)
Turnover	3	**5,529,446**	4,664,113
Cost of goods sold		**(4,877,998)**	(4,425,369)
Gross profit		**651,448**	238,744
Government subsidies for high energy-saving products	4	**151,328**	596,094
Other income		**26,037**	28,234
Selling and distribution costs			
– equity-settled share based payments		**(1,866)**	(26,434)
– other selling and distribution costs		**(415,630)**	(297,538)
Administrative expenses			
– equity-settled share based payments		**(5,813)**	(57,409)
– other administrative expenses		**(178,048)**	(136,057)
Research and development costs		**(16,756)**	(6,501)
Other expenses		**(438)**	(12,020)
Other gains and losses		**(14,539)**	(4,842)
Net gain in fair value changes of derivative financial instruments		**19,526**	15,040
Loss in fair value changes of warrants	15	**(137,644)**	–
Interest on bank borrowings wholly repayable within five years		**(73,059)**	(49,178)
Profit before taxation	5	**4,546**	288,133
Taxation	6	**(17,859)**	(9,859)
(Loss) profit for the period and total comprehensive (expense) income for the period		**(13,313)**	278,274
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to			
– owners of the Company		**(10,898)**	278,274
– non-controlling interests		**(2,415)**	–
		(13,313)	278,274
			(Restated)
(Loss) earnings per share	8		
– Basic		**RMB(0.13) cents**	RMB5.45 cents
– Diluted		**RMB(0.13) cents**	RMB5.33 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**603,125**	507,430
Land use rights		**233,551**	236,377
Intangible assets		**2,014**	2,199
Prepaid lease payments		**132,657**	133,391
Deposits made on acquisition of property, plant and equipment		**61,897**	73,293
Deferred tax assets		**12,686**	11,219
		1,045,930	963,909
Current assets			
Inventories	10	**3,353,995**	2,823,809
Trade and other receivables	11	**3,207,964**	2,379,975
Land use rights		**5,540**	5,525
Prepaid lease payments		**6,470**	6,457
Taxation recoverable		**8,202**	8,202
Derivative financial instruments		**20,487**	22,887
Pledged bank deposits		**990,078**	951,490
Bank balances and cash		**686,519**	495,439
		8,279,255	6,693,784
Current liabilities			
Trade and other payables	12	**4,634,919**	3,695,474
Warranty provision		**41,427**	36,598
Taxation payable		**85,884**	77,458
Derivative financial instruments		**447**	3,190
Warrants	13	**87,274**	–
Borrowings related to bills discounted with recourse	14	**113,008**	72,272
Short-term bank loans	15	**1,529,284**	1,192,731
		6,492,243	5,077,723
Net current assets		**1,787,012**	1,616,061
Total assets less current liabilities		**2,832,942**	2,579,970

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Non-current liabilities			
Warrants	13	–	44,670
Government grants		89,006	64,698
Deferred tax liabilities		16,726	18,594
		105,732	127,962
Net assets		2,727,210	2,452,008
Capital and reserves			
Share capital	16	71,905	6,881
Reserves		2,627,720	2,445,127
Equity attributable to owners of the Company		2,699,625	2,452,008
Non-controlling interests		27,585	–
Total equity		2,727,210	2,452,008

The condensed consolidated financial information on pages 21 to 40 were approved and authorised for issue by the Board of Directors on 29 August 2011 and are signed on its behalf by:

LI XINGHAO
CHAIRMAN
AND
CHIEF EXECUTIVE OFFICER

LEI JIANGHANG
VICE CHAIRMAN
AND
EXECUTIVE DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	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	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000 (Note d)	Total RMB'000
At 1 January 2011	6,881	665,405	(26,408)	63,535	21,001	186,305	1,535,289	2,452,008	–	2,452,008
Loss for the period and total comprehensive expense for the period	–	–	–	–	–	–	(10,898)	(10,898)	(2,415)	(13,313)
Issue of shares	65,024	272,701	–	–	(16,576)	–	–	321,149	–	321,149
Contributions from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	30,000	30,000
Recognition of equity-settled share based payments	–	–	–	–	7,679	–	–	7,679	–	7,679
Share options lapsed	–	–	–	–	(271)	–	271	–	–	–
Dividends paid	–	–	–	–	–	–	(70,313)	(70,313)	–	(70,313)
Transfers	–	–	–	–	–	16,891	(16,891)	–	–	–
At 30 June 2011 (unaudited)	71,905	938,106	(26,408)	63,535	11,833	203,196	1,437,458	2,699,625	27,585	2,727,210
At 1 January 2010	4,503	372,298	(26,408)	1,967	6,048	141,139	1,346,397	1,845,944	–	1,845,944
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	278,274	278,274	–	278,274
Recognition of equity-settled share based payments	–	–	–	61,568	22,275	–	–	83,843	–	83,843
Dividends paid	–	–	–	–	–	–	(56,196)	(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	–	2,151,865

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"), a wholly-owned subsidiary of the Company, and the then paid-in capital of Guangdong Chigo upon group reorganisation in 2006.

(b) Share compensation reserve represents

(i) 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

(ii) the fair value of shares of the Company given by the Company's controlling shareholder, Mr. Li Xinghao, at nil consideration, to the Group's employees and to certain customers of the Group as reward for their past services and loyalty to the Group.

(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) During the period, 廣東志高暖通設備股份有限公司 (Guangdong Chigo Heating and Ventilation Equipment Co., Ltd.) ("Chigo Equipment") was established as a PRC joint stock limited company. The Group holds 70% of the share capital of Chigo Equipment. The Group and non-controlling interests injected capital of RMB70,000,000 and RMB30,000,000 respectively. The principal activity of Chigo Equipment is the manufacture and sales of commercial air-conditioners.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(166,763)**	(623,813)
Investing activities		
Interest received	**9,128**	9,507
Purchase of property, plant and equipment	**(84,324)**	(48,919)
Deposits paid on acquisition of property, plant and equipment	**(44,140)**	(16,164)
(Increase) decrease in pledged bank deposits	**(38,588)**	174,045
Government grants received	**16,520**	–
Other investing activities	**9,221**	(4,975)
Net cash (used in) from investing activities	**(132,183)**	113,494
Financing activities		
Interest paid	**(73,059)**	(49,178)
Dividends paid	**(70,313)**	(56,196)
Proceeds from issue of shares	**226,109**	–
Contribution from non-controlling interests in a subsidiary	**30,000**	–
Bank loans raised	**1,499,954**	1,518,327
Repayment of bank loans	**(1,163,401)**	(837,874)
Borrowings from bills discounted with recourse	**3,865,080**	4,344,965
Repayments of borrowings related to bills discounted with recourse	**(3,824,344)**	(4,344,965)
Net cash from financing activities	**490,026**	575,079
Net increase in cash and cash equivalents	**191,080**	64,760
Cash and cash equivalents at 1 January	**495,439**	432,794
Cash and cash equivalents at 30 June	**686,519**	497,554
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**686,519**	497,554

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

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 the Hong Kong Institute of Certified Public Accountants (the "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, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations ("new or revised HKFRSs") that are effective for accounting periods beginning on 1 January 2011 issued by the HKICPA.

The application of the above or revised HKFRSs in the current interim period has had no material effect on the amount reported in these condensed consolidated financial information and/or disclosures set out in the condensed consolidated financial information.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[3]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2013.*
[3] *Effective for annual periods beginning on or after 1 January 2012.*
[4] *Effective for annual periods beginning on or after 1 July 2012.*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires extensive use of judgement. Based on the Group's structure as at 30 June 2011, the application of the new standard is not expected to have significant impact on the result and financial position of the Group.

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 at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. Based on the Group's financial assets and financial liabilities as at 30 June 2011, the application of the new standard will have no significant impact on condensed consolidated financial information.

The Directors of the Company anticipate that the application of the other new and revised standards and amendments 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 of customers for performance assessment and resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

3. SEGMENT INFORMATION *(Continued)*

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

	Turnover For the six months ended		Results For the six months ended	
	30.6.2011	30.6.2010	**30.6.2011**	30.6.2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Mainland China (the "PRC")	**3,201,652**	2,628,369	**563,407**	803,555
Asia (excluding PRC)	**1,215,413**	856,073	**122,895**	13,732
Americas	**594,033**	572,247	**74,457**	14,903
Africa	**90,266**	317,668	**11,683**	884
Europe	**412,579**	284,695	**26,389**	516
Oceania	**15,503**	5,061	**3,945**	1,248
	5,529,446	4,664,113	**802,776**	834,838
Unallocated other income			**26,037**	28,234
Unallocated expenses			**(468,749)**	(319,479)
Staff costs included in selling and distribution costs and administrative expenses			**(159,888)**	(199,403)
Charitable donations			**(438)**	(12,020)
Allowance for doubtful debts			**(4,015)**	(9,899)
Net gain in fair value changes of derivative financial instruments			**19,526**	15,040
Loss in fair value changes of warrants			**(137,644)**	–
Finance costs			**(73,059)**	(49,178)
Profit before taxation			**4,546**	288,133

Turnover represents the fair value of the consideration received and receivable for goods sold by the Group to outside customers during the period.

Segment results represent the gross profits and government subsidies for high 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 high 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 government subsidies on the manufactured high energy-saving electrical products upon reporting of its sales to the PRC government authority. The Energy-Saving Scheme was expired on 1 June 2011.

During the period, the Group was entitled to the government subsidies of RMB151,328,000 (2010: RMB596,094,000) in respect of high energy-saving products.

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2011	2010
	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	**4,015**	9,899
Allowance for inventories	**6,939**	3,384
Amortisation of intangible assets included in administrative expense	**185**	182
Depreciation of property, plant and equipment	**38,358**	31,827
Charitable donations in the PRC	**438**	12,020
Provision for warranty included in cost of goods sold	**10,367**	11,639
and after crediting:		
Government subsidies included in other income*	**2,994**	6,487
Recovery of doubtful debts included in other gains and losses	**3,320**	1,385
Interest income	**9,128**	9,507

* *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.*

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

6. TAXATION

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC withholding tax	**(6,935)**	(5,715)
PRC income tax		
– current period	**(12,819)**	–
– underprovision in prior period	**(1,440)**	–
Deferred taxation	**3,335**	(4,144)
	(17,859)	(9,859)

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, one of 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 PRC 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 periods ended 30 June 2010 and 30 June 2011 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	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends		
– 2010 final dividend of HK1.00 cents (equivalent to RMB0.84 cents) (2009: HK12.5 cents (equivalent to RMB11.0 cents)) per share paid	**70,313**	56,196
– 2011 proposed interim dividend of Nil (2010: HK5.0 cents (equivalent to RMB4.37 cents)) per share	**–**	22,313

No dividend were declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

(Loss) earnings

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(10,898)**	278,274

8. (LOSS) EARNINGS PER SHARE *(Continued)*

Number of shares

	2011 *'000* (unaudited)	2010 *'000* (unaudited) (Restated)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share on the assumption that the bonus issue on 4 January 2011 has been effective on 1 January 2010	**8,108,799**	5,108,740
Effect of dilutive potential ordinary shares on share options	**–**	111,533
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**8,108,799**	5,220,273

The computation of diluted (loss) earning per share does not assume the conversion of the Company's outstanding warrants and share options since their exercise would result in decrease in loss per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB139,860,000 (2010: RMB54,685,000) on acquisition of machinery and manufacturing plant in the PRC to upgrade its manufacturing capabilities.

10. INVENTORIES

	30.6.2011 *RMB'000* (unaudited)	31.12.2010 *RMB'000* (audited)
Raw materials	**668,855**	659,948
Work in progress	**105,608**	29,544
Finished goods	**2,579,532**	2,134,317
	3,353,995	2,823,809

11. TRADE AND OTHER RECEIVABLES

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	1,672,050	1,370,952
Bills receivables	1,050,980	788,101
	2,723,030	2,159,053
Government subsidies receivables for high energy-saving products	64,675	105,157
Deposits paid to suppliers	161,726	17,284
Prepayments	11,563	5,666
Advances to staff	16,953	24,316
Value-added tax recoverable	224,121	63,027
Other receivables	5,896	5,472
	3,207,964	2,379,975

Payment terms with customers are mainly on credit. Invoices are normally payable from 30 days to 180 days from date of issuance, while invoices to long-established customers are normally payable within 210 days. The following is an aged analysis of trade and bills receivables at the reporting date:

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 – 30 days	1,279,333	856,720
31 – 60 days	659,725	435,177
61 – 90 days	369,012	346,364
91 – 180 days	410,945	507,466
181 – 365 days	4,015	13,326
	2,723,030	2,159,053

12. TRADE AND OTHER PAYABLES

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**988,297**	529,254
Bills payables	**2,928,892**	2,574,729
	3,917,189	3,103,983
Customers' deposits	**533,433**	440,738
Payroll and welfare payables	**34,185**	26,400
Other tax payables	**22,565**	18,825
Other payables	**127,547**	105,528
	4,634,919	3,695,474

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:

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 – 90 days	**2,328,660**	1,730,899
91 – 180 days	**1,513,640**	1,353,863
181 – 365 days	**72,538**	17,242
Over 1 to 2 years	**2,351**	1,979
	3,917,189	3,103,983

13. WARRANTS

On 2 December 2010, the Company issued 100,000,000 unlisted warrants at a price of HKD0.05 per warrant to six placees, all being independent third parties to the Group and each warrant entitles its holder to subscribe for one ordinary share of HKD0.01 each of the Company ("Subscription Share") at the subscription price of HKD4.95 per Subscription Share at any time during the period of two years commencing from the date of issue of the warrants.

On 4 January 2011, the subscription price of the warrants was adjusted in accordance with the terms and conditions of the warrants instrument from HKD4.95 per warrant share to HKD0.495 per warrant share as a result of the bonus issue on the basis of nine bonus shares for every one existing share. On 29 March 2011, under the resolution of an extraordinary general meeting of the Company which were approved by the shareholders, the Company amended the warrant instrument by adjusting the number of unlisted warrants from 100,000,000 to 1,000,000,000 to be exercised at any time on or before 31 May 2012.

On 13 April 2011 and 15 April 2011, respective registered holders of 300,000,000 and 200,000,000 warrants exercised their rights to subscribe for 300,000,000 and 200,000,000 ordinary shares respectively in the Company at HKD0.495 per share. The fair value loss, representing the fair value changes of the warrants from 1 January 2011 and 29 March 2011 to the dates immediately prior to each respective subscription dates, was approximately RMB72,705,000 and had been recognised in profit and loss in the current period under review. At 30 June 2011, the Company had outstanding 500,000,000 warrants to be exercised at any time on or before 31 May 2012, exercise in full of such warrants would result in the issue of approximately 500,000,000 additional ordinary shares of HKD0.01 each.

At 30 June 2011, the fair value of the outstanding warrants was determined using the Binomial Option Pricing Model and the inputs into the model were as follows:

	30.6.2011	(Date of subscription) 15.4.2011	(Date of subscription) 13.4.2011	31.12.2010
Exercise price	**HKD0.495**	HKD0.495	HKD0.495	HKD0.495*
Share price	**HKD0.69**	HKD0.70	HKD0.70	HKD1.00
Expected volatility#	**36.80%**	38.13%	37.82%	42.54%
Remaining life	**11 months**	12.5 months	12.5 months	23 months
Risk free rate	**0.16%**	0.31%	0.30%	0.64%
Dividend yield	**1.97%**	1.82%	1.82%	1.27%

* *The exercise price has been adjusted for the effect of Bonus Issue (see note 16) as the shares have been traded ex-right since 28 December 2010.*

The expected volatility are determined based on the historical volatility of comparable companies in the similar industry.

During the six months ended 30 June 2011, an aggregate fair value loss of RMB137,644,000 has been recognised in profit or loss (2010: Nil).

14. BORROWINGS RELATED TO BILLS DISCOUNTED WITH RECOURSE

During the period, bank bills issued by customers and discounted by the Group carry interest at rates ranging from 4.80% to 6.12% (2010: 3.96% to 5.10%) per annum.

15. SHORT-TERM BANK LOANS

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Short-term bank loans		
– unsecured	537,287	517,731
– jointly guaranteed by directors and third parties	841,997	325,000
– guaranteed by directors	150,000	350,000
	1,529,284	1,192,731

At the end of the reporting period, a director of the Company, Mr. Li Xinghao, has given personal guarantee to certain banks for credit facilities granted to a PRC subsidiary to the extent of RMB1,775,000,000 (2010: RMB1,825,000,000).

Also, at the end of the reporting period, the Group has unutilised available credit facilities amounting to RMB1,337,516,000 (2010: RMB1,105,919,000).

Included in short-term bank loans are the following amounts denominated in currency other than the functional currency of the relevant group companies:

	30.6.2011 RMB'000 equivalent (unaudited)	31.12.2010 RMB'000 equivalent (audited)
HKD	59,481	26,381
USD	144,484	86,100

Average interest rates paid were as follows:

	30.6.2011	31.12.2010
Bank loans	5.22%	4.83%

All the bank loans are fixed rate borrowings, subject to negotiation at renewal or drawndown date and were denominated in RMB, HKD and USD for both periods.

16. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount	Number of shares	Amount
	'000	*HKD'000*	*'000*	*HKD'000*
Ordinary shares of HKD0.01 each				
– at 1 January 2010	50,000,000	500,000	510,874	5,109
– exercise of share options	–	–	20,134	201
– issue of shares under the open offer	–	–	255,437	2,554
– at 31 December 2010	50,000,000	500,000	786,445	7,864
– issue of shares under the Bonus Issue	–	–	7,078,005	70,780
– exercise of share options	–	–	69,558	696
– exercise of warrants	–	–	500,000	5,000
– at 30 June 2011	50,000,000	500,000	8,434,008	84,340

	RMB'000
Shown in the condensed consolidated statement of financial position at	
– 30 June 2011 as	71,905
– 31 December 2010 as	6,881

On 4 January 2011, 7,078,005,000 ordinary shares of HKD0.01 each of the Company were issued at HKD0.01 by way of bonus issue on the basis of nine bonus shares for every one then existing share to the qualifying shareholders whose name appeared on the register of members of the Company on 4 January 2011 ("Bonus Issue").

During the period, 69,558,000 share options were exercised at a subscription price of HKD0.301 per share, resulting in an aggregate issue of 69,558,000 ordinary shares of HKD0.01 each in the Company.

In addition, during the period, 500,000,000 warrants were exercised at a subscription price of HKD0.495 per share, resulting in an aggregate issue of 500,000,000 ordinary shares of HKD0.01 each in the Company.

All the shares issued during the period rank pari passu with the then existing shares in all respects.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

17. EQUITY-SETTLED SHARE BASED PAYMENTS

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, and will expire on 16 November 2012. 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 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 391,836,700 (2010: 46,594,863), representing 4.6% (2010: 5.9%) 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 HKD5,000,000 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.

On 20 November 2010, the exercise price was adjusted downwards from HKD4.15 per share to HKD3.01 per share with effect from 20 November 2010 as a result of the open offer and the total number of share options was adjusted from 49,280,000 to 67,987,415.

On 4 January 2011, the exercise price was adjusted downwards from HKD3.01 per share to HKD0.301 per share with effect from 4 January 2011 as a result of the Bonus Issue and the total number of share options was adjusted upwards from 46,594,863 to 465,948,630.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

17. EQUITY-SETTLED SHARE BASED PAYMENTS *(Continued)*

Details of the movements of the share options granted are as follows:

					Number of share options									
Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share *HKD*	Outstanding at 1.1.2010	Exercised during the year	Adjusted during the year	Lapsed during the year	Reclassified during the year	Outstanding at 31.12.2010	Adjusted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2011
Directors	17.11.2009	17.11.2009 – 16.11.2010	17.11.2010 – 16.11.2011	0.301	516,000	–	220,000	–	(59,308)	676,692	6,084,000	(2,400,000)	–	4,360,692
		17.11.2009 – 16.11.2011	17.11.2011 – 16.11.2012	0.301	524,000	–	224,147	–	(59,022)	689,125	6,208,353	–	–	6,897,478
Employees	17.11.2009	17.11.2009 – 16.11.2010	17.11.2010 – 16.11.2011	0.301	24,044,000	(20,134,000)	8,962,242	(552,000)	59,308	12,379,308	111,420,000	(67,158,000)	–	56,641,308
		17.11.2009 – 16.11.2011	17.11.2011 – 16.11.2012	0.301	24,896,000	–	9,293,436	(1,426,552)	59,022	32,822,148	295,393,104	–	(4,553,930)	323,661,322
Customers#	17.11.2009	17.11.2009 – 16.11.2011	17.11.2010 – 16.11.2012	0.301	20,000	–	7,590	–	–	27,590	248,310	–	–	275,900
					50,000,000	(20,134,000)	18,707,415	(1,978,552)	–	46,594,863	419,353,767	(69,558,000)	(4,553,930)	391,836,700
Exercisable at end of the year										13,056,000				61,002,000

\# *The Company's share options granted to customers are measured by reference to the fair value of options granted since the fair value of the customer loyalty to the Group cannot be estimated accurately.*

In respect of the share options exercised during the period, the weighted average share price at the date of exercise is HKD0.73 (2010: HKD5.78 which before the adjustment of Bonus Issue).

The Group recognised the total expense of RMB7,676,000 (2010: RMB22,266,000) and RMB3,000 (2010: RMB9,000) for the period ended 30 June 2011 in relation to share options granted by the Company to the Group's employees and certain customers of the Group respectively.

18. CAPITAL COMMITMENTS

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial information in respect of acquisition of property, plant and equipment	**84,078**	158,869

19. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Other than the transactions and balances with related parties disclosed in respective notes in the condensed consolidated financial information, during the period, the Group paid messing expenses totaling RMB455,000 (2010: RMB455,000) 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 RMB897,000 (2010: RMB1,001,000).

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 24 August 2011, Guangdong Chigo has been approved to issue short-term debentures in an aggregate principal amount of up to RMB800,000,000 (the "Debentures"), within a period of two years from 2 August 2011. The Debentures may be issued in one or more tranches and the issue of the first tranche of which shall be completed by 1 October 2011. The subscription amount of the Debentures shall be in multiples of RMB100. The maturity period of the Debentures shall be 366 days and the Debentures shall be listed and transferable on the inter-bank debenture market in the PRC. The purposes of the Debentures are partly for reduction of short-term bank borrowings and partly for general working capital. Details of the Debentures are set out in the Company's announcement dated 24 August 2011.