



CHIGO HOLDING LIMITED
志高控股有限公司

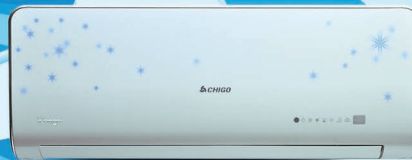
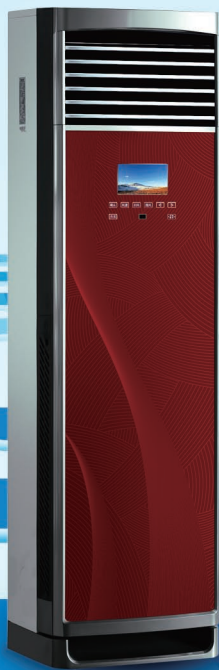
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 449



Smart Cloud AC Smart Sharing

Interim Report 2012



Contents

Financial Highlights	2
Corporate Information	3
Management Discussion and Analysis	4
Other Information	13
Report on Review of Condensed Consolidated Financial Statements	21
Condensed Consolidated Statement of Comprehensive Income	22
Condensed Consolidated Statement of Financial Position	23
Condensed Consolidated Statement of Changes in Equity	25
Condensed Consolidated Statement of Cash Flows	26
Notes to the Condensed Consolidated Financial Statements	27





Financial Highlights

Turnover decreased by **1.9%** to

RMB **5,424.6** million

Increased from net loss margin of **0.2%** to net profit margin of

0.3%

Consolidated segment results decreased by **5.7%** to

RMB **757.1** million

Total assets increased by **4.6%** (as compared to 31 December 2011) to

RMB **9,964.5** million

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

14.0%

Net assets increased by **1.1%** (as compared to 31 December 2011) to

RMB **2,640.3** million

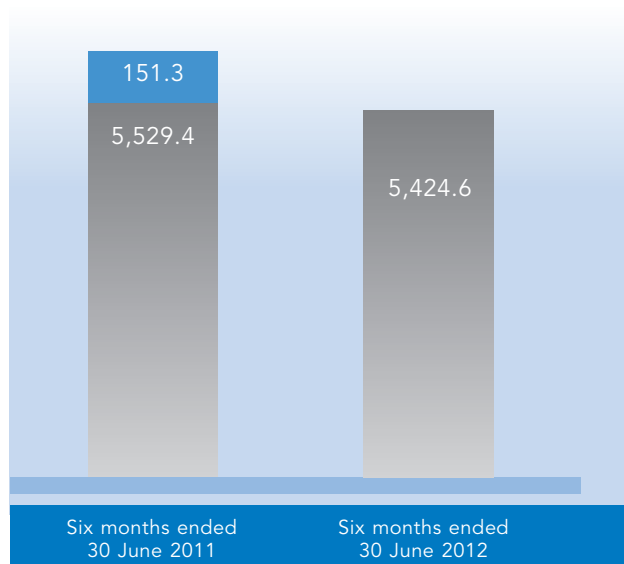
Profit for the period improved to

RMB **17.5** million

Turnover and gross receipts

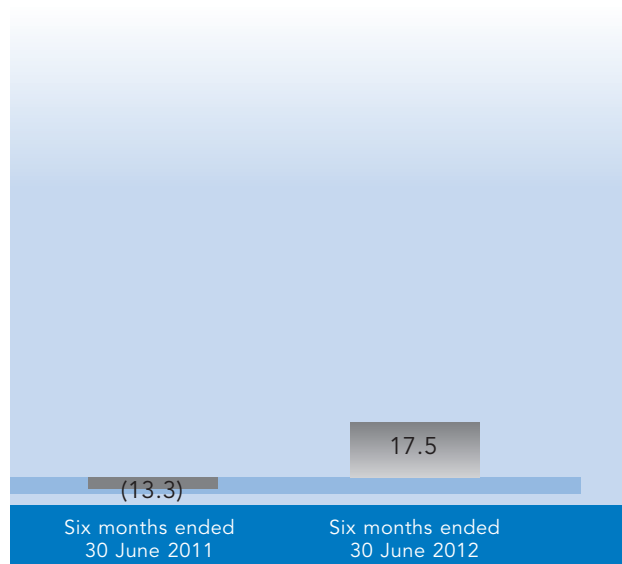
■ Turnover ■ Government subsidies for energy-saving products

(RMB million)



Profit (loss) for the period

(RMB million)



Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Li Xinghao (*Chairman and Chief Executive Officer*)
Dr. Zheng Zuyi (*Vice Chairman*)
(appointed on 4 January 2012)
Dr. Ding Xiaojiang
Mr. Huang Xingke
Mr. Lei Jianghang (*resigned on 4 January 2012*)

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 Everbright Bank, Shenzhen Huali Road Branch
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

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 2012:	
No. of shares issued:	8,434,178,000 shares
Market capitalisation:	HKD1.65 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

Global business environment was difficult in the first half of 2012. Western economies were weak due to the worries over the Eurozone debt crisis. PRC's economy also slowed down and showed a weaker than expected gross domestic product (GDP) growth during the period.

Despite encountering these challenges, the Group still managed to maintain its sales volume and a roughly similar turnover of RMB5,424.6 million to last year for the first six months of 2012. Without the impact of non-cash expenses relating to fair value changes of warrants, the Group improved its profitability and recorded a profit during the period under review as compared with a loss for the corresponding period in 2011.

Due to a change in the consumption patterns of Chinese consumers following the expiry of subsidies policy on electrical appliances in the second half of 2011 and the less favourable weather conditions in China, retail spending decelerated. Meanwhile, the management changed corporate strategy of the Group from pursuing sale scale to operating efficiency this year. As a result, the domestic air-conditioning products market of the Group saw a drop in turnover during the first half of this year.

On the other hand, overseas sales of the Group kept its momentum and achieved sharp growth with robust performance for the six months ended 30 June 2012. As such, turnover from overseas markets provided the major source of revenue to the Group during the period under review.

The Group's commercial air-conditioning business unit also recorded satisfactory growth in sales and volume and made positive contribution to the Group in the first half of 2012.

Though finance cost and tax charge ate into the profit of the Group, as expected by the management, by adjusting its product mix and launching newly developed products to the market, the Group successfully lifted its profit margin.

To enhance its competitiveness and leading role in the industry, the Group implemented the integration strategy. During the period under review, the Group established a wholly-owned subsidiary, 廣東志高精密機械有限公司 (Guangdong Chigo Precision Machinery Co., Limited) which will be specialising in the compressor business.

Management Discussion and Analysis

Operation Review

Results of operations

	Six months ended 30 June					
	2012		2011		Change	
	RMB million	% of Turnover	RMB million	% of Turnover	RMB million	%
Geographic region						
PRC sales	2,693.4	49.7	3,201.6	57.9	-508.2	-15.9
Asia (excluding PRC)	1,585.1	29.2	1,215.4	22.0	+369.7	+30.4
Americas	453.2	8.4	594.0	10.7	-140.8	-23.7
Africa	347.3	6.4	90.3	1.6	+257.0	+284.6
Europe	342.8	6.3	412.6	7.5	-69.8	-16.9
Others	2.8	0.0	15.5	0.3	-12.7	-81.9
Overseas sales	2,731.2	50.3	2,327.8	42.1	+403.4	+17.3
Total turnover	5,424.6	100.0	5,529.4	100.0	-104.8	-1.9

PRC Sales

As mentioned above, due to the domestic economic slowdown, the unfavourable weather factor and change in corporate strategy, PRC sales dropped and contributed 49.7% (30 June 2011: 57.9%) to the Group's turnover during the six months ended 30 June 2012. The Group recorded PRC sales of RMB2,693.4 million (30 June 2011: RMB3,201.6 million), representing a decrease of RMB508.2 million or 15.9%.

Overseas Sales

For the six months ended 30 June 2012, the Group's overseas sales increased by RMB403.4 million or 17.3% to RMB2,731.2 million (30 June 2011: RMB2,327.8 million) and accounted for 50.3% of the Group's total turnover. Among the overseas regions, the Group continued to perform well in the Asian market (excluding PRC) and saw a huge rebound in sales to the African market, with increases of 30.4% and 284.6% respectively recorded in the first half of 2012.

Asia and Americas remained the major sources of overseas revenue of the Group. These two markets accounted for 29.2% and 8.4% respectively (30 June 2011: 22.0% and 10.7%) of the Group's turnover during the period under review.



Management Discussion and Analysis

Financial Review

Turnover

During the six months ended 30 June 2012, the Group recorded a total turnover of approximately RMB5,424.6 million (30 June 2011: approximately RMB5,529.4 million), representing a slight decrease of RMB104.8 million, or 1.9% as compared to the corresponding period in 2011. The decrease was primarily due to the strong growth in overseas markets being offset by the downward slide in domestic sales.

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 RMB5,424.6 million (30 June 2011: RMB5,680.8 million) and decreased by 4.5% or RMB256.2 million as compared to the first half of 2011 because there was no subsidies for the energy-saving products were received by the Group during the reporting period.

Cost of goods sold

Due to the fall of prices of major raw materials, parts and components during the first half of 2012, cost of goods sold during the period under review decreased relatively faster than the Group's turnover to RMB4,667.5 million (30 June 2011: RMB4,878.0 million), representing a decrease of RMB210.5 million or 4.3% as compared to that of the first half of 2011.

Gross profit

During the six months ended 30 June 2012, the Group improved its gross profit by RMB105.7 million or 16.2% to RMB757.1 million (30 June 2011: RMB651.4 million) through adjusting its product mix and introducing more profitable products to the market.

As the old subsidies policies expired in the second half of 2011, the Group has not received any government subsidies for energy-saving products during the period under review (30 June 2011: RMB151.3 million). As such, the consolidated segment results of operation (sum of gross profit and the government subsidies for energy-saving products) for the first half of 2012 reduced by RMB45.7 million or 5.7% from that of 2011.

Since the improvement in gross profit had been partially offset by the reduction of government subsidies for energy-saving products and the portion of overseas sales had increased relatively, the Group's gross margin (calculated as consolidated segment results to turnover) was maintained at 14.0% in the first half of 2012 as compared to 14.5% for the same period in 2011.

The gross margin of the Group's PRC sales which was affected by the expiry of government subsidies for energy-saving products and slow down of economy, decreased to 13.8% (30 June 2011:17.6%) for the first half of 2012. For the overseas sales, the Group responded proactively to the uncertain western economy and continued to improve its gross margin which increased to 14.1% (30 June 2011:10.3%).

Management Discussion and Analysis

Other income

Other income was RMB56.7 million (30 June 2011: RMB26.0 million), representing an increase of RMB30.7 million or 118.1%, because of an increase in non-operating income.

Selling and distribution costs

The Group's selling and distribution costs decreased to RMB367.0 million (30 June 2011: RMB415.6 million), representing a decrease of RMB48.6 million or 11.7% for the six months ended 30 June 2012. This decrease was mainly due to decreases in (i) advertising and promotion costs; (ii) transportation cost; and (iii) salary and allowance of sales personnel during the period under review.

Administrative expenses

Administrative expenses of the Group increased by RMB19.1 million or 10.7% to RMB197.1 million (30 June 2011: RMB178.0 million) for the six months ended 30 June 2012. The increase in administrative expenses was primarily due to increases in (i) benefits of administrative staff; and (ii) expense of low value consumables during the period under review.

Equity-settled share based payments

The Group recorded equity-settled share based payments of RMB11.1 million (30 June 2011: RMB7.7 million) for the six months ended 30 June 2012, representing an increase of RMB3.4 million or 44.2%. The increase in this non-cash expense during the reporting period was due to the amortisation of share-based payments in relation to the share options granted by the Company to certain directors and employees in September 2011.

Research and development costs

Research and development costs decreased to RMB13.9 million (30 June 2011: RMB16.8 million) by 17.3% or RMB2.9 million during the period under review because certain new products had been developed in previous periods.

Other expenses

Other expenses increased by RMB14.5 million or 3,625% during the first half of 2012 and amounted to RMB14.9 million (30 June 2011: RMB0.4 million). The expenses were mainly non-operating expenses and increased in line with non-operating income during the period under review.

Other gains and losses

Other losses decreased by RMB0.8 million or 5.5% to RMB13.7 million (30 June 2011: RMB14.5 million) in the first half of 2012. The decrease in other losses was mainly due to the decrease in exchange loss during the period under review.



Management Discussion and Analysis

Net (loss) gain in fair value changes of derivative financial instruments

The Group had entered into certain forward foreign exchange contracts to sell US dollar with financial institutes to hedge against part of its overseas sales income. For the six months ended 30 June 2012, the Group recorded a net loss of approximately RMB9.5 million (30 June 2011: a net gain of RMB19.5 million) in fair value changes of derivative financial instruments because Renminbi depreciated against US dollar.

Loss in fair value changes of warrants

All the outstanding unlisted warrants had lapsed during the first half of 2012. As such, no gain or loss (30 June 2011: a net loss of RMB137.6 million) was recorded for the six months ended 30 June 2012 relating to the unlisted warrants.

Finance costs

The Group financed its working capital requirement by obtaining short-term bank loans from and discounting part of its bills receivable from customers to financial institutes. The Group also has a debenture of RMB800 million outstanding during the first half of 2012 for general working capital purpose. In addition, the average interest rates on bank loans were higher during the period under review. As a result, interest on bank and other borrowings increased substantially by RMB64.9 million or 88.8% to RMB138.0 million (30 June 2011: RMB73.1 million) for the six months ended 30 June 2012.

Taxation

Due to the increase in profit before taxation and deferred tax charge and a higher tax rate being applied starting from 2012, the Group's tax charge for the six months ended 30 June 2012 increased by RMB13.1 million or 73.2% to RMB31.0 million (30 June 2011: RMB17.9 million).

Profit (loss) for the period and total comprehensive income (expense) for the period

As a result of the foregoing, the Group recorded a profit of RMB17.5 million for the six months ended 30 June 2012 (30 June 2011: a net loss of RMB13.3 million), representing an increase of RMB30.8 million as compared to the corresponding period in 2011. Since the Group had recorded a profit in the reporting period, the Group improved from a net loss margin of 0.2% for the six months ended 30 June 2011 to a net profit margin of 0.3% for the six months ended 30 June 2012 accordingly.

Management Discussion and Analysis

Financial position

	As at 30 June 2012 RMB million	As at 31 December 2011 RMB million	Change RMB million	Change %
Non-current assets	1,247.9	1,194.5	+53.4	+4.5
Current assets	8,716.6	8,327.8	+388.8	+4.7
Current liabilities	7,269.2	6,856.9	+412.3	+6.0
Non-current liabilities	55.0	53.7	+1.3	+2.4
Net assets	2,640.3	2,611.7	+28.6	+1.1

As at 30 June 2012, the Group's total consolidated assets increased by RMB442.2 million or 4.6% to RMB9,964.5 million (31 December 2011: RMB9,522.3 million). The increase was mainly from the current assets such as trade and bills receivables (increased by RMB490.9 million) and bank balances and cash (increased by RMB283.1 million). Total consolidated liabilities of the Group as at 30 June 2012 amounted to RMB7,324.2 million (31 December 2011: RMB6,910.6 million) and increased by RMB413.6 million or 6.0%. The major liabilities that increased in the period were trade and bills payables (increased by RMB924.2 million).

As the Group recorded a net profit for the period, the Group's net assets increased by 1.1% or RMB28.6 million to RMB2,640.3 million as at 30 June 2012 (31 December 2011: RMB2,611.7 million).

Liquidity, financial resources and capital structure

As at 30 June 2012, the Group had current assets amounted to RMB8,716.6 million (31 December 2011: RMB8,327.8 million) and current liabilities amounted to RMB7,269.2 million (31 December 2011: RMB6,856.9 million). The Group's working capital decreased by RMB23.5 million or 1.6% from RMB1,470.9 million as at the end of 2011 to RMB1,447.4 million as at 30 June 2012. Despite the relatively faster increase in the Group's current liabilities, the current ratio remained at 1.2 times as at 30 June 2012.

As at 30 June 2012, the balance of short-term bank loans owed by the Group was RMB1,746.0 million (31 December 2011: RMB1,798.0 million) and decreased by RMB52.0 million or 2.9%. 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 decreased to 26.0% as at 30 June 2012 (31 December 2011: 27.4%) because the Group's total assets increased and the total borrowings decreased.

Ability of the Group to service finance costs, as indicated by interest cover, improved during the reporting period. Since the Group had recorded a profit during the period under review as compared to a loss for the year ended 31 December 2011, interest cover of the Group increased to 1.4 times for the six months ended 30 June 2012 as compared to 0.3 times at the end of 2011.



Management Discussion and Analysis

During the first half of 2012, 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 RMB23.7 million (31 December 2011: RMB16.1 million) as at the period end.

As at 30 June 2012, the Company had issued share capital of approximately RMB71.9 million and 8,434,178,000 shares in issue and all of the issued shares were ordinary shares.

Since the Group had recorded a net profit for the period, the shareholders' equity increased to RMB2,640.3 million as at 30 June 2012 (31 December 2011: RMB2,611.7 million).

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 2012.

Cash flows

	Six months ended 30 June	
	2012 RMB million	2011 RMB million
Net cash from (used in) operating activities	841.4	(166.8)
Net cash used in investing activities	(64.5)	(132.2)
Net cash (used in) from financing activities	(493.8)	490.1
Net increase in cash and cash equivalents	283.1	191.1
Cash and cash equivalents at 30 June	832.4	686.5

During the first half of 2012, the Group financed its working capital by internally generated cash flow and short-term borrowings. During the period under review, the Group generated operating cash flows and further drew down its inventories level, and net cash of RMB841.4 million from operating activities (30 June 2011: net cash out flow of RMB166.8 million) was resulted. The Group also reduced its net borrowings by RMB339.8 million and RMB52.0 million respectively from bills discounted with recourse and bank loans during the period under review. As a result, net cash used in financing activities amounted to RMB493.8 million (30 June 2011: net cash inflow of RMB490.1 million). Part of the cash generated was used to finance the Group's working capital including trade and other receivables during the first half of 2012. The Group also applied RMB137.2 million (30 June 2011: RMB128.5 million) of the cash generated for its investing activities including purchase and deposits paid on acquisition of property, plant and equipment for the future business expansion and development of the Group.

As a result of the foregoing, the Group generated surplus cash of RMB283.1 million during the six months ended 30 June 2012 (30 June 2011: net cash inflow of RMB191.1 million) and the bank balances and cash amounted to RMB832.4 million as at 30 June 2012 (30 June 2011: RMB686.5 million).

Management Discussion and Analysis

Material acquisitions and disposals, significant investments

During the six months ended 30 June 2012, 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 2012, certain bank deposits of the Group in an aggregate carrying amount of approximately RMB941.7 million (31 December 2011: approximately RMB998.6 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 2012, approximately 50.3% 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. During the reporting period, the Group had entered into certain foreign currency forward contracts to hedge against foreign exchange risk. Though the exchange rate of Renminbi against the US dollar depreciated in the first half of 2012, the Group enjoyed favourable exchange gain on overseas sales and 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

Pending litigation

In June 2012, Chigo Air-conditioning (Jiujiang) Co., Limited ("Chigo Jiujiang"), an indirect wholly-owned subsidiary of the Company, received a notice calling for responses concerning a civil legal proceedings. The legal action was brought against Chigo Jiujiang by a construction company (the "Plaintiff") in relation to the construction work of Chigo Jiujiang's factory in Jiangxi claiming for damages of approximately RMB16.2 million in relation to, allegedly, certain construction cost being past due, retention monies being withheld and default in paying compensation.

The Plaintiff was also granted a freezing order by the Jiangxi Provincial Jiujiang City Intermediate People's Court over Chigo Jiujiang's bank deposits. As at the date of this report, bank deposits of Chigo Jiujiang amounting to approximately RMB6.2 million has been frozen.

Chigo Jiujiang has already filed an application to the court disputing over the extend of construction work done and the quality of such work. Based on the legal advice obtained, the management believes that there is no ground for the Plaintiff to make the claim. As the case is still undergoing legal proceeding, no provision was made by the Group for this pending litigation.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 30 June 2012.



Management Discussion and Analysis

Employees and Remuneration

As at 30 June 2012, the Group employed 15,417 employees (30 June 2011: 15,316 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

In view of the current global and domestic economic conditions, the management sees that air-conditioning industry has been entering into a period of adjustment and has become more technology driven. The Group also believes that technological innovation will be the winning strategy for the Group to remain competitive and to stimulate consumers' incentives in buying new air-conditioning products.

As stipulated by the Group early this year, intelligent air-conditioning technology and further upstream integration will be its major strategic plans. The Group will continue to put resources into the promotion of the inverter cloud air-conditioner (iCongo) and the development of its own compressor business.

Looking into the second half of 2012, the management expects that the global business environment will change drastically and uncertain situation still continues, the Group still has to face many challenges and competition. However, the Group has confidence on PRC's economy as factors for domestic growth are accumulating. Our domestic air-conditioning business will benefit from the new subsidy policy on energy-saving air-conditioning products launched by the government in June 2012. For overseas sales, we will follow our current strategy to continue exploring and promoting sales to new developing markets.

Other Information

Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

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

As at 30 June 2012, 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 2012	Approximate percentage of shareholding ¹
Mr. Li Xinghao	Interest of a controlled corporation ²	4,322,234,210	51.25
Dr. Zheng Zuyi	Beneficial owner	4,000,000	0.05
Dr. Ding Xiaojiang	Beneficial owner	6,530,750	0.08
Mr. Huang Xingke	Beneficial owner	161,000	0.00
		<u>4,332,925,960</u>	<u>51.38</u>

Notes:

- 1 Based on 8,434,178,000 shares of the Company in issue as at 30 June 2012.
- 2 Mr. Li Xinghao beneficially owns approximately 99.46% of the issued share capital of Chigo Group Holding Limited which beneficially owns 4,322,234,210 ordinary shares of the Company.



Other Information

Long position in the shares of associated corporation

<u>Name of Director</u>	<u>Associated corporation</u>	<u>Capacity</u>	<u>Number of issued ordinary shares held as at 30 June 2012</u>	<u>Approximate percentage of shareholding</u>
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.

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of options held as at 30 June 2012</u>	<u>Number of underlying shares</u>
Mr. Li Xinghao	Beneficial owner	11,035,150	11,035,150
Dr. Zheng Zuyi	Beneficial owner	51,535,150	51,535,150
Dr. Ding Xiaojiang	Beneficial owner	13,035,150	13,035,150
Mr. Huang Xingke	Beneficial owner	26,793,490	26,793,490
Mr. Wan Junchu	Beneficial owner	1,965,730	1,965,730
Mr. Zhang Xiaoming	Beneficial owner	1,485,730	1,485,730
Mr. Fu Xiaosi	Beneficial owner	1,485,730	1,485,730
		<u>107,336,130</u>	<u>107,336,130</u>

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 2012.

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.

Other Information

The following table discloses movements in the Company's share options and the underlying shares during the six months ended 30 June 2012:

	Date of grant	Vesting date	Exercise period	Exercise Price (HKD)	Underlying shares exercisable under the share options					Outstanding at 30 June 2012
					Outstanding at 1 January 2012	Granted during the period	Reclassified during the period	Exercised during the period	Lapsed during the period	
Category 1: Directors										
Li Xinghao	2009.11.17	2010.11.17	2010.11.17 – 2012.11.16	0.301	1,500,000	-	-	-	-	1,500,000
	2009.11.17	2011.11.17	2011.11.17 – 2012.11.16	0.301	1,535,150	-	-	-	-	1,535,150
	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	2,400,000	-	-	-	-	2,400,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	5,600,000	-	-	-	-	5,600,000
					11,035,150	-	-	-	-	11,035,150
Zheng Zuyi (note 1)	2009.11.17	2010.11.17	2010.11.17 – 2012.11.16	0.301	-	-	-	-	-	-
	2009.11.17	2011.11.17	2011.11.17 – 2012.11.16	0.301	-	-	1,535,150	-	-	1,535,150
	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	-	-	15,000,000	-	-	15,000,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	-	-	35,000,000	-	-	35,000,000
					-	-	51,535,150	-	-	51,535,150
Ding Xiaojiang	2009.11.17	2010.11.17	2010.11.17 – 2012.11.16	0.301	1,500,000	-	-	-	-	1,500,000
	2009.11.17	2011.11.17	2011.11.17 – 2012.11.16	0.301	1,535,150	-	-	-	-	1,535,150
	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	3,000,000	-	-	-	-	3,000,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	7,000,000	-	-	-	-	7,000,000
					13,035,150	-	-	-	-	13,035,150

Other Information

	Date of grant	Vesting date	Exercise period	Exercise Price (HKD)	Underlying shares exercisable under the share options					Outstanding at 30 June 2012
					Outstanding at 1 January 2012	Granted during the period	Reclassified during the period	Exercised during the period	Lapsed during the period	
Huang Xingke	2009.11.17	2010.11.17	2010.11.17 – 2012.11.16	0.301	880,000	-	-	-	-	880,000
	2009.11.17	2011.11.17	2011.11.17 – 2012.11.16	0.301	913,490	-	-	-	-	913,490
	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	7,500,000	-	-	-	-	7,500,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	17,500,000	-	-	-	-	17,500,000
					26,793,490	-	-	-	-	26,793,490
Wan Junchu	2009.11.17	2010.11.17	2010.11.17 – 2012.11.16	0.301	480,000	-	-	-	-	480,000
	2009.11.17	2011.11.17	2011.11.17 – 2012.11.16	0.301	485,730	-	-	-	-	485,730
	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	300,000	-	-	-	-	300,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	700,000	-	-	-	-	700,000
					1,965,730	-	-	-	-	1,965,730
Zhang Xiaoming	2009.11.17	2010.11.17	2010.11.17 – 2012.11.16	0.301	-	-	-	-	-	-
	2009.11.17	2011.11.17	2011.11.17 – 2012.11.16	0.301	485,730	-	-	-	-	485,730
	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	300,000	-	-	-	-	300,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	700,000	-	-	-	-	700,000
					1,485,730	-	-	-	-	1,485,730

Other Information

	Date of grant	Vesting date	Exercise period	Exercise Price (HKD)	Underlying shares exercisable under the share options					
					Outstanding at 1 January 2012	Granted during the period	Reclassified during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2012
Fu Xiaosi	2009.11.17	2010.11.17	2010.11.17 – 2012.11.16	0.301	-	-	-	-	-	-
	2009.11.17	2011.11.17	2011.11.17 – 2012.11.16	0.301	485,730	-	-	-	-	485,730
	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	300,000	-	-	-	-	300,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	700,000	-	-	-	-	700,000
					1,485,730	-	-	-	-	1,485,730
Lei Jianghang (note 2)	2009.11.17	2010.11.17	2010.11.17 – 2012.11.16	0.301	-	-	-	-	-	-
	2009.11.17	2011.11.17	2011.11.17 – 2012.11.16	0.301	1,457,190	-	(1,457,190)	-	-	-
	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	1,500,000	-	(1,500,000)	-	-	-
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	3,500,000	-	(3,500,000)	-	-	-
					6,457,190	-	(6,457,190)	-	-	-
Sub-total					62,258,170	-	45,077,960	-	-	107,336,130
Category 2: Employees										
Employees	2009.11.17	2010.11.17	2010.11.17 – 2012.11.16	0.301	56,471,308	-	-	-	(500,000)	55,971,308
	2009.11.17	2011.11.17	2011.11.17 – 2012.11.16	0.301	321,985,442	-	(77,960)	-	(14,222,500)	307,684,982
	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	204,642,000	-	(13,500,000)	-	(2,490,000)	188,652,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	477,608,000	-	(31,500,000)	-	(5,810,000)	440,298,000
Sub-total					1,060,706,750	-	(45,077,960)	-	(23,022,500)	992,606,290

Other Information

	Date of grant	Vesting date	Exercise period	Exercise Price (HKD)	Underlying shares exercisable under the share options					
					Outstanding at 1 January 2012	Granted during the period	Reclassified during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2012
Category 3: Customers										
Customers	2009.11.19	2010.11.19	2010.11.17 – 2012.11.16	0.301	137,950	-	-	-	-	137,950
	2009.11.19	2011.11.19	2011.11.17 – 2012.11.16	0.301	137,950	-	-	-	-	137,950
	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	3,942,000	-	-	-	-	3,942,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	9,308,000	-	-	-	-	9,308,000
Sub-total					13,525,900	-	-	-	-	13,525,900
Total					1,136,490,820	-	-	-	(23,022,500)	1,113,468,320

Notes:

1. Zheng Zuyi was appointed as Director on 4 January 2012.
2. Lei Jianghang resigned as Director on 4 January 2012.

Substantial shareholder's interests and short positions in shares

As at 30 June 2012, 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 2012	Approximate percentage of shareholding ¹
Long positions			
Chigo Group Holding Limited ²	Beneficial owner	4,322,234,210	51.25
Skyworth TV Holdings Limited	Beneficial owner	425,000,000	5.04

Other Information

Notes:

- 1 Based on 8,434,178,000 shares of the Company in issue as at 30 June 2012.
- 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.

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 2012.

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 2012.

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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 to the Listing Rules (the "CG Code"). During the first half of 2012, the Company has complied with the code provisions set out in the CG Code except for the deviation from Code Provisions A.2.1 and A.6.7 of the CG Code.

Code Provision A.2.1

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 2012, 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 18 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.



Other Information

Code Provision A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Two independent non-executive directors of the Company were unable to attend the Annual General Meeting of the Company held on 25 May 2012 as they had other business engagements.

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 2012 with 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 interim results for the six months ended 30 June 2012 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, 28 August 2012

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF CHIGO HOLDING LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Chigo Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2012 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Turnover	3	5,424,645	5,529,446
Cost of goods sold		(4,667,553)	(4,877,998)
Gross profit		757,092	651,448
Government subsidies for high energy-saving products	4	–	151,328
Other income		56,698	26,037
Selling and distribution costs			
– equity-settled share based payments		(2,546)	(1,866)
– other selling and distribution costs		(366,954)	(415,630)
Administrative expenses			
– equity-settled share based payments		(8,566)	(5,813)
– other administrative expenses		(197,135)	(178,048)
Research and development costs		(13,889)	(16,756)
Other expenses		(14,918)	(438)
Other gains and losses		(13,676)	(14,539)
Net (loss) gain in fair value changes of derivative financial instruments		(9,533)	19,526
Loss in fair value changes of warrants		–	(137,644)
Interest on bank and other borrowings wholly repayable within five years		(137,995)	(73,059)
Profit before taxation	5	48,578	4,546
Taxation	6	(31,041)	(17,859)
Profit (loss) for the period and total comprehensive income (expense) for the period		17,537	(13,313)
Profit (loss) for the period and total comprehensive income (expense) for the period attributable to			
– owners of the Company		17,283	(10,898)
– non-controlling interests		254	(2,415)
		17,537	(13,313)
Earnings (loss) per share	8		
– Basic		RMB0.20 cents	RMB(0.13) cents
– Diluted		RMB0.20 cents	RMB(0.13) cents

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	862,975	782,389
Land use rights		206,387	208,900
Intangible assets		1,646	1,830
Prepaid lease payments		104,389	105,710
Deposits made on acquisition of property, plant and equipment		66,442	83,618
Deferred tax assets		6,098	12,040
		1,247,937	1,194,487
Current assets			
Inventories	10	2,326,170	2,740,968
Trade and other receivables	11	4,589,823	4,000,606
Land use rights		5,026	5,026
Prepaid lease payments		10,711	9,497
Taxation recoverable		10,697	8,202
Derivative financial instruments		–	15,534
Pledged bank deposits		941,742	998,571
Bank balances and cash		832,442	549,348
		8,716,611	8,327,752
Current liabilities			
Trade and other payables	12	4,269,821	3,544,103
Warranty provision		35,269	36,980
Taxation payable		76,796	55,734
Derivative financial instruments		23,707	607
Borrowings related to bills discounted with recourse	13	268,038	607,842
Short-term debentures	14	849,589	813,589
Short-term bank loans	15	1,746,013	1,798,015
		7,269,233	6,856,870
Net current assets		1,447,378	1,470,882
Total assets less current liabilities		2,695,315	2,665,369
Non-current liabilities			
Government grants		40,700	41,344
Deferred tax liabilities		14,270	12,329
		54,970	53,673
Net assets		2,640,345	2,611,696

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Note	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Capital and reserves			
Share capital	16	71,906	71,906
Reserves		2,544,294	2,515,899
Equity attributable to owners of the Company		2,616,200	2,587,805
Non-controlling interests		24,145	23,891
Total equity		2,640,345	2,611,696

The condensed consolidated financial information on pages 22 to 38 were approved and authorised for issue by the Board of Directors on 28 August 2012 and are signed on its behalf by:

LI XINGHAO
CHAIRMAN
AND
CHIEF EXECUTIVE OFFICER

ZHENG ZUYI
VICE CHAIRMAN

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	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	Total RMB'000
At 1 January 2012	71,906	938,187	(26,408)	63,535	26,847	188,785	1,324,953	2,587,805	23,891	2,611,696
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	17,283	17,283	254	17,537
Recognition of equity-settled share based payments	-	-	-	-	11,112	-	-	11,112	-	11,112
Share options lapsed	-	-	-	-	(864)	-	864	-	-	-
Transfers	-	-	-	-	-	7,193	(7,193)	-	-	-
At 30 June 2012 (unaudited)	71,906	938,187	(26,408)	63,535	37,095	195,978	1,335,907	2,616,200	24,145	2,640,345
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

Notes:

- (a) Special reserve represents the difference between the consideration paid for the acquisition of the entire interest in 廣東志高空調有限公司 (Guangdong Chigo Air-Conditioning Co., Ltd.) ("Guangdong Chigo"), and the then paid-in capital of Guangdong Chigo upon group reorganisation in 2006.
- (b) Share compensation reserve represents
- the difference of fair value of certain shares of 廣東志高空調股份有限公司 (Guangdong Chigo Air-Conditioning Joint Stock Co., Ltd.), the predecessor of Guangdong Chigo, transferred to the Group's certain employees by the shareholders, Mr. Li Xinghao and Li Longyi and the consideration paid by the employees in obtaining those shares; and
 - 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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Net cash from (used in) operating activities	841,366	(166,763)
Investing activities		
Purchase of property, plant and equipment	(70,799)	(84,324)
Proceeds on disposal of property, plant and equipment	2,000	–
Interest received	10,601	9,128
Deposits paid on acquisition of property, plant and equipment	(66,442)	(44,140)
Decrease (Increase) in pledged bank deposits	56,829	(38,588)
Government grants received	–	16,520
Other investing activities	3,340	9,221
Net cash used in investing activities	(64,471)	(132,183)
Financing activities		
Repayment of bank loans	(1,245,015)	(1,163,401)
Interest paid	(101,995)	(73,059)
Net borrowings from bills discounted with recourse	(339,804)	40,736
Bank loans raised	1,193,013	1,499,954
Dividends paid	–	(70,313)
Proceeds from issue of shares	–	226,109
Contribution from non-controlling interests in a subsidiary	–	30,000
Net cash (used in) from financing activities	(493,801)	490,026
Net increase in cash and cash equivalents	283,094	191,080
Cash and cash equivalents at 1 January	549,348	495,439
Cash and cash equivalents at 30 June	832,442	686,519
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	832,442	686,519

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on 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 statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standard ("HKFRS") issued by the HKICPA that are mandatorily effective for the current interim period.

The directors of the Company considered that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the annual financial statements for the year ending 31 December 2012.

Other than described above, the application of the above amendments to HKFRSs in the current interim period has had no material effect on the amount reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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 Statements

For the six months ended 30 June 2012

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		Results	
	For the six months ended		For the six months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Mainland China (the "PRC")	2,693,444	3,201,652	372,881	563,407
Asia (excluding PRC)	1,585,108	1,215,413	208,547	122,895
Americas	453,189	594,033	83,158	74,457
Africa	347,301	90,266	47,808	11,683
Europe	342,840	412,579	43,851	26,389
Oceania	2,763	15,503	847	3,945
	5,424,645	5,529,446	757,092	802,776
Unallocated other income			56,698	26,037
Unallocated expenses			(447,305)	(468,749)
Staff costs included in selling and distribution costs and administrative expenses			(154,181)	(159,888)
Charitable donations			-	(438)
Allowance for doubtful debts			(16,198)	(4,015)
Net (loss) gain in fair value changes of derivative financial instruments			(9,533)	19,526
Loss in fair value changes of warrants			-	(137,644)
Finance costs			(137,995)	(73,059)
Profit before taxation			48,578	4,546

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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 six months ended 30 June 2011, the Group was entitled to the government subsidies of RMB151,328,000 (2012: nil) in respect of high energy-saving products.

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Allowance for doubtful debts included in other gains and losses	16,198	4,015
Allowance for inventories	3,047	6,939
Amortisation of intangible assets included in administrative expense	184	185
Depreciation of property, plant and equipment	46,011	38,358
Charitable donations in the PRC	-	438
Provision for warranty included in cost of goods sold	10,631	10,367
and after crediting:		
Government subsidies included in other income*	1,908	2,994
Reversal of allowance for doubtful debts included in other gains and losses	11,250	3,320
Interest income	10,601	9,128

* 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 Statements

For the six months ended 30 June 2012

6. TAXATION

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
The (charge) credit comprises:		
PRC withholding tax	–	(6,935)
PRC income tax		
– current period	(23,158)	(12,819)
– underprovision in prior period	–	(1,440)
Deferred taxation	(7,883)	3,335
	(31,041)	(17,859)

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. In 2011, the PRC subsidiary is entitled to 50% relief from PRC Income Tax. During the period ended 30 June 2012, the PRC subsidiary has obtained the approval being regarded as high and new technology enterprises and thus enjoy a preferential tax rate of 15% for the period from 1 January 2011 to 31 December 2013.

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 period ended 30 June 2011 and 30 June 2012 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 condensed consolidated financial statements as the Group's Hong Kong operations had no assessable profit for the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

7. DIVIDENDS

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Dividends		
– 2011 final dividend of Nil (2010: HK1.00 cents (equivalent to RMB0.84 cents)) per share paid	–	70,313
– 2012 proposed interim dividend of Nil (2011: Nil) per share	–	–

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

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the period is based on the profit for the period attributable to owners of the Company of RMB17,283,000 (2011: loss of RMB10,898,000) and on 8,434,178,000 (2011: the weighted average number of 8,108,799,000) shares in issue during the period on the assumption that the bonus issue on 4 January 2011 has been effective on 1 January 2011.

The computation of diluted earnings (loss) per share did not assume the exercise of the Company's outstanding warrants and share options because the exercise price of those warrants and share options was higher than the average market price for shares during the periods presented.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB154,418,000 (2011: RMB139,860,000) on acquisition of machinery and manufacturing plant in the PRC to upgrade its manufacturing capabilities.

During the period, the Group has disposed of certain property, plant and equipment at carrying amount of RMB42,053,000 to two independent third parties and accordingly no gain or loss has resulted in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

10. INVENTORIES

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Raw materials	444,443	616,749
Work in progress	31,396	48,206
Finished goods	1,850,331	2,076,013
	2,326,170	2,740,968

11. TRADE AND OTHER RECEIVABLES

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Trade receivables	2,879,201	2,247,184
Bills receivables	1,359,758	1,500,910
	4,238,959	3,748,094
Deposits paid to suppliers	123,382	132,267
Prepayments	12,502	7,680
Advances to staff	25,204	22,795
Value-added tax recoverable	139,721	84,137
Other receivables (Note)	50,055	5,633
	4,589,823	4,000,606

Note: As at 30 June 2012, included in the other receivables are the consideration receivables amounting to RMB40,053,000 from two independent third parties in relation to disposal of certain plant and equipment at a total consideration at RMB42,053,000 during the current period. The amount will be settled within one year from the date of disposal.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

11. TRADE AND OTHER RECEIVABLES (Continued)

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

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Age		
0 – 30 days	1,442,814	1,067,568
31 – 60 days	802,525	656,726
61 – 90 days	650,021	599,771
91 – 180 days	1,323,938	1,394,851
181 – 365 days	19,661	29,178
	4,238,959	3,748,094

12. TRADE AND OTHER PAYABLES

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Trade payables	1,034,785	356,379
Bills payables	2,808,944	2,563,161
	3,843,729	2,919,540
Customers' deposits	208,230	441,133
Payroll and welfare payables	29,640	30,609
Other tax payables	24,726	25,742
Other payables	163,496	127,079
	4,269,821	3,544,103

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

12. TRADE AND OTHER PAYABLES (Continued)

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

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Age		
0 – 90 days	2,639,848	1,500,005
91 – 180 days	1,174,115	1,404,743
181 – 365 days	29,064	14,260
Over 1 to 2 years	702	532
	3,843,729	2,919,540

13. 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 5.82% to 6.35% (2011: 6.00% to 8.88%) per annum.

14. SHORT-TERM DEBENTURES

On 5 September 2011, 廣東志高空調有限公司 Guangdong Chigo Air-Conditioning Co., Ltd., the Company's wholly-owned subsidiary, issued short-term debentures in an aggregate principal amount of RMB800,000,000 (the "Debentures"). The Debentures, with a fixed coupon rate of 7.9% per annum and a fair value of RMB100 each, were listed and transferrable on the inter-bank debenture market in the PRC, at 100% of its face value with a maturity period of 366 days.

The movement of the Debentures during the year/period is set out below:

	<i>RMB'000</i>
Proceeds from issue of debentures	800,000
Transaction costs	(8,800)
Net proceeds	791,200
Interest expense	22,389
Carrying value at 31 December 2011	813,589
Interest expense	36,000
Carrying value at 30 June 2012	849,589

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

15. SHORT-TERM BANK LOANS

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Short-term bank loans		
– unsecured	1,746,013	1,087,500
– secured by bank deposits and “Chigo” trademark	–	185,515
– jointly guaranteed by Mr. Li Xinghao and third parties	–	375,000
– guaranteed by Mr. Li Xinghao	–	150,000
	1,746,013	1,798,015

At the end of the reporting period, Mr. Li Xinghao, being a director and ultimate controlling party of the Company, has given personal guarantee to certain banks for banking facilities granted to a PRC subsidiary to the extent of Nil (2011: RMB300,000,000).

Also, at the end of the reporting period, the Group has unutilised available credit facilities amounting to RMB3,147,813,000 (2011: RMB2,917,255,000).

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

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	equivalent	equivalent
	(unaudited)	(audited)
HKD	30,000	24,450
USD	219,570	101,680

Average interest rates paid were as follows:

	30.6.2012	31.12.2011
Bank loans	6.50%	5.63%

All the bank loans are fixed rate borrowings, subject to negotiation at renewal or drawdown date and were denominated in RMB, HKD and USD at 30 June 2012 and 31 December 2011.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

16. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HKD'000	Number of shares '000	Amount HKD'000
Ordinary shares of HKD0.01 each				
– at 1 January 2011	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	–	–	69,728	697
– exercise of warrants	–	–	500,000	5,000
– at 31 December 2011 and 30 June 2012	50,000,000	500,000	8,434,178	84,341
				<i>RMB'000</i>
Shown in the condensed consolidated statement of financial position at 30 June 2012 and 31 December 2011				71,906

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.

During the period, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,113,468,320 (2011: 1,136,490,820), representing 13.2% (2011: 13.5%) 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. On 13 May 2011, under the resolution of Annual General Meeting of the Company which were approved by the shareholders, the total number of shares in respect of which options may be granted under the Scheme is permitted not to exceed 30% of the shares of the Company in issue at any point in time. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

17. EQUITY-SETTLED SHARE BASED PAYMENTS (Continued)

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 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.

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

Type of participants	Date of grant	Vesting period	Exercisable period	Adjusted exercise price per share HKD	Number of share options										
					Outstanding at 1.1.2011	Granted during the year	Adjusted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2011	Reclassified during the year (Note 1)	Lapsed during the year	Outstanding at 30.6.2012		
Directors	17.11.2009	17.11.2009	17.11.2010												
		- 16.11.2010	- 16.11.2012	0.301	676,692	-	6,084,000	(2,400,000)	-	4,360,692	-	-	4,360,692		
	17.11.2009	17.11.2009	17.11.2011												
		- 16.11.2011	- 16.11.2012	0.301	689,125	-	6,208,353	-	-	6,897,478	77,960	-	6,975,438		
	23.9.2011	23.9.2011	23.9.2013												
		- 22.9.2013	- 22.9.2018	0.45	-	15,300,000	-	-	-	15,300,000	13,500,000	-	28,800,000		
23.9.2011		23.9.2016	0.45	-	35,700,000	-	-	-	35,700,000	31,500,000	-	67,200,000			
Employees	17.11.2009	17.11.2009	17.11.2010												
		- 16.11.2010	- 16.11.2012	0.301	12,379,308	-	111,420,000	(67,328,000)	-	56,471,308	-	(500,000)	55,971,308		
		17.11.2009	17.11.2011	0.301	32,822,148	-	295,393,104	-	(6,229,810)	321,985,442	(77,960)	(14,222,500)	307,684,982		
	23.9.2011	23.9.2011	23.9.2013												
		- 22.9.2013	- 22.9.2018	0.45	-	205,692,000	-	-	(1,050,000)	204,642,000	(13,500,000)	(2,490,000)	188,652,000		
		23.9.2011	23.9.2016	0.45	-	480,058,000	-	-	(2,450,000)	477,608,000	(31,500,000)	(5,810,000)	440,298,000		
Customers	17.11.2009	17.11.2009	17.11.2011												
	- 16.11.2011	- 16.11.2012	0.301	27,590	-	248,310	-	-	275,900	-	-	275,900			
	23.9.2011	23.9.2011	23.9.2013												
23.9.2011	- 22.9.2013	- 22.9.2018	0.45	-	3,942,000	-	-	-	3,942,000	-	-	3,942,000			
	23.9.2011	23.9.2016	0.45	-	9,308,000	-	-	-	9,308,000	-	-	9,308,000			
					46,594,863	750,000,000	419,353,767	(69,728,000)	(9,729,810)	1,136,490,820	-	(23,022,500)	1,113,468,320		
Exercisable at end of the year/period										389,990,820	375,268,320				

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. There are no specified performance conditions to be met. The fair value of share options are charged to profit or loss at the date of grant.

Note 1: During the period a director had resigned and an employee was appointed as director, and their share options are reclassified accordingly.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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

In respect of the share options exercised during the period ended 30 June 2011, the weighted average share price at the date of exercise is HKD0.80.

The Group recognised the total expense of RMB11,112,000 (2011: RMB7,676,000) and Nil (2011: RMB3,000) for the period ended 30 June 2012 in relation to share options granted by the Company to the Group's employees and certain customers of the Group respectively.

18. CONTINGENT LIABILITIES

In June 2012, a PRC subsidiary received a notice calling for responses concerning a civil legal proceeding. The legal action was brought by a construction company in relation to the construction work of the PRC subsidiary's factory in Jiangxi claiming for damages of approximately RMB16,200,000 in relation to, allegedly certain construction cost being past due, retention monies being withheld and default in paying compensation. The PRC subsidiary has already filed an application to the court disputing over the extend of construction work done and the quality of such work. Based on the opinion from the Group's legal counsel, the directors of the Company resist this claim and, the directors of the Company are of the view that the claim will not have significant financial impact to the Group.

19. CAPITAL COMMITMENTS

	30.6.2012 RMB'000 (unaudited)	31.12.2011 <i>RMB'000</i> <i>(audited)</i>
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	83,307	104,711

20. 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 statements, during the period, the Group paid messing expenses totalling RMB474,000 (2011: RMB455,000) to a related company which is controlled by Mr. Li Xinghao, a director and ultimate controlling party 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 RMB1,753,000 (2011: RMB897,000).