

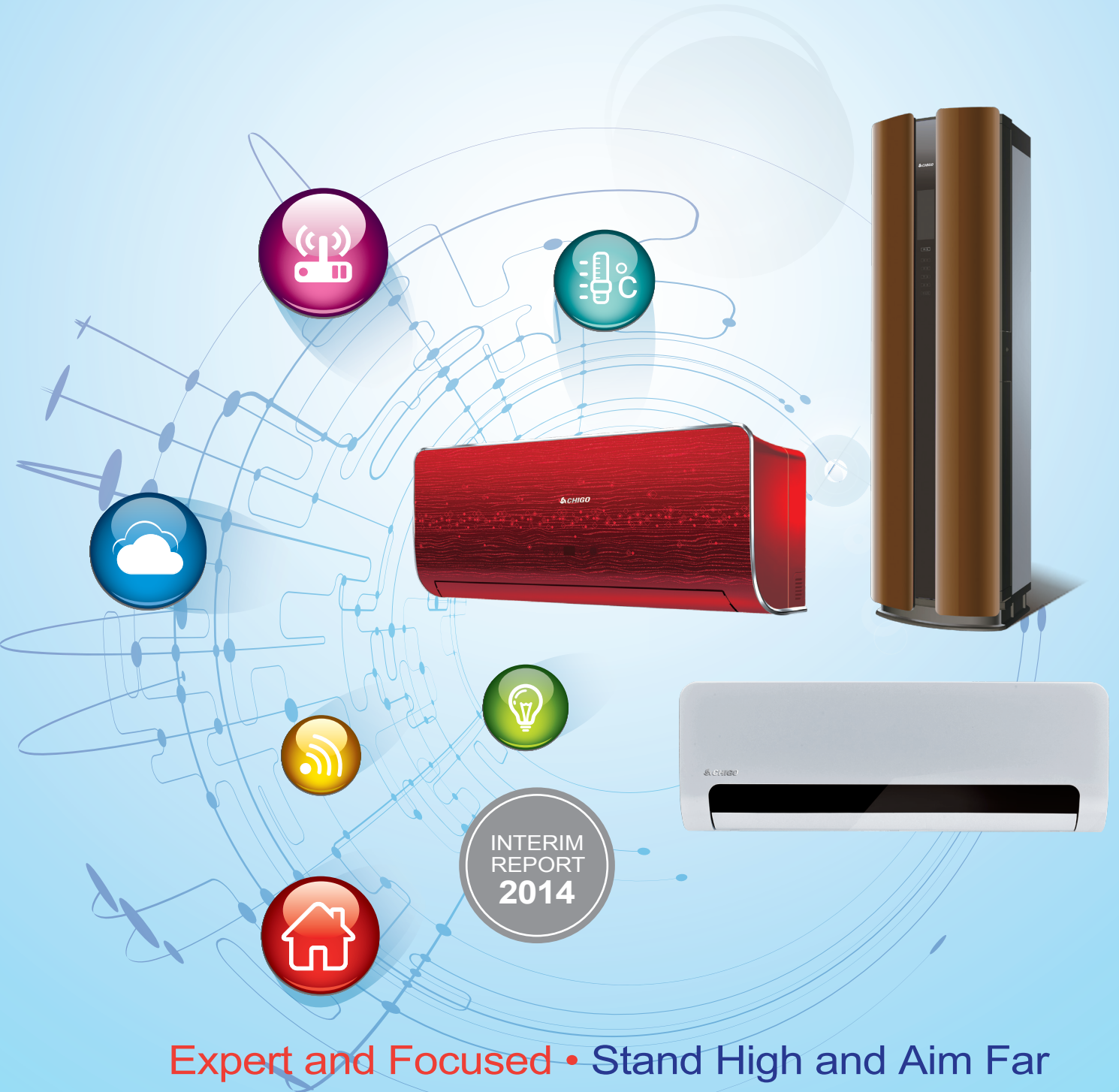


CHIGO HOLDING LIMITED
志高控股有限公司

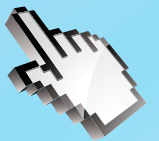
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 449



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Financial Highlights

Turnover increased by **0.1%** to

RMB **5,440.4** million

Net profit margin increased by **0.4** percentage points to

0.9%

Consolidated segment results increased by **17.7%** to

RMB **935.7** million

Total assets decreased by **0.7%** (as compared to 31 December 2013) to

RMB **11,967.8** million

Gross margin (consolidated segment results to turnover) increased from **14.6%** to

17.2%

Net assets increased by **1.4%** (as compared to 31 December 2013) to

RMB **3,010.3** million

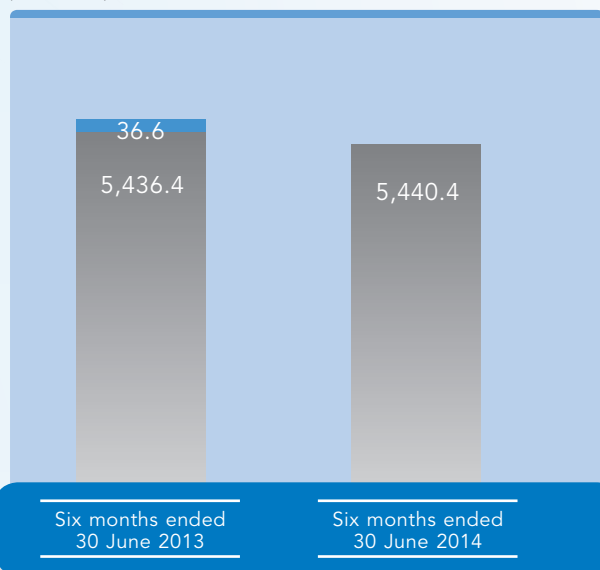
Profit for the period increased by **67.0%** to

RMB **48.6** million

Turnover and gross receipts

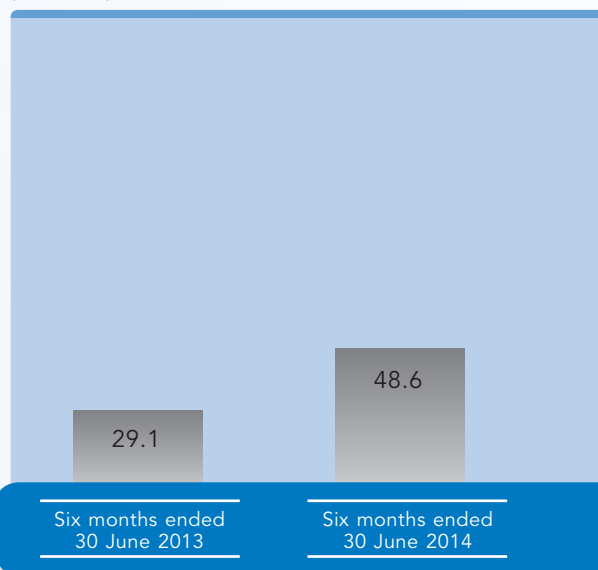
■ Turnover ■ Government subsidies for high energy-saving products

(RMB million)



Profit 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*)
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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 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
DBS Bank (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 2014:	
No. of shares issued:	8,434,178,000 shares
Market capitalisation:	HKD1.48 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

The business performance of the Group in the first half of 2014 was encouraging. During the first six months of 2014, the Group was able to keep its scale of operation and continued to improve its profit and operating efficiency as compared with that of the same period in 2013.

In the first half of 2014, the domestic sales of the Chinese air-conditioning market rebounded from the sluggish condition in 2013 but exports dropped on the contrary. Because of the gradual improvement of the local real estate market and the continued release of purchasing power from the third and fourth-tier cities in China since the latter half of 2013, overall domestic sales of air-conditioners showed a strong recovery during the reporting period as a result of the increasing demand for home improvement. Energy-saving, trendy product design and artificial-intelligence become the focus of purchases in 2014 and customers are willing to pay more for high-quality residential air-conditioning products. The Group as a pioneer in energy-saving and smart air-conditioner manufacturing, by merely innovating its products and adjusting its product mix, managed to increase its PRC sales by double-digit figures during the six months ended 30 June 2014. Following the recovery in the second half of 2013, both the average price and sales volume of domestic products increased steadily during the period.

Since the last government subsidy scheme for high energy-saving products had expired at the end of May 2013, there was no government subsidies recorded in the current reporting period.

According to the national export data, the air-conditioning industry in China recorded a drop in exports for the first six months of 2014. A decrease in exports was due to various reasons including a weak demand for electronic home appliances due to economic slowdown, currency devaluation and inflation in the emerging market countries, unfavourable weather conditions in North America and new foreign technical trade measures imposed by western economies.

The Group was inevitably dragged down by the poor overall economic conditions abroad and recorded a decrease in its overseas sales during the first six months of 2014 comparing to the strong performance last year. As such, the drop in the Group's export sales had offset part of the increase in its PRC sales, and the Group only achieved a slight increase in its turnover for the six months ended 30 June 2014.

Sales of commercial air-conditioning products remained strong in the first half of 2014. Average price, profit margin and sales volume of the Group's commercial products were able to maintain year-on-year growth during the period under review.

Despite the continued improvement of the Group's results during the reporting period, the Group encountered different challenges in the business including an increase in the operating expenses of the Group and the depreciation of the Renminbi. During the six months ended 30 June 2014, both the selling and distribution costs, and administrative expenses of the Group increased at a faster rate and eroded the Group's profit.

The Group had also entered into certain foreign currency forward contracts for hedging purposes. As Renminbi has been depreciating steadily in the first half of 2014 and reversed a trend of gradual incremental appreciation against the US dollar during the past few years, a net loss in fair value changes on the foreign currency forward contracts was incurred by the Group as compared to a net gain for the same period in 2013. The management expects that this net loss in fair value changes relating to some of the foreign currency forward contracts will reduce towards the end of 2014 as Renminbi rebound gradually and steadily in the second half of 2014.



Management Discussion and Analysis

Operation Review

Results of operations

	Six months ended 30 June					
	2014		2013		Change	
	RMB million	% of Turnover	RMB million	% of Turnover	RMB million	%
Geographic region						
PRC sales	2,826.8	52.0	2,533.7	46.6	+293.1	+11.6
Asia (excluding PRC)	1,359.3	25.0	1,538.4	28.3	-179.1	-11.6
Americas	664.3	12.2	483.3	8.9	+181.0	+37.5
Africa	276.1	5.0	439.6	8.1	-163.5	-37.2
Europe	308.9	5.7	435.5	8.0	-126.6	-29.1
Oceania	5.0	0.1	5.9	0.1	-0.9	-15.3
Overseas sales	2,613.6	48.0	2,902.7	53.4	-289.1	-10.0
Total turnover	5,440.4	100.0	5,436.4	100.0	+4.0	+0.1

PRC Sales

During the reporting period, PRC sales increased year-on-year and contributed 52.0% (30 June 2013: 46.6%) to the Group's turnover during the six months ended 30 June 2014. As both the average selling prices and sales volumes of air-conditioning products increased, the Group recorded PRC sales of RMB2,826.8 million (30 June 2013: RMB2,533.7 million), representing an increase of RMB293.1 million or 11.6%.

Overseas Sales

For the six months ended 30 June 2014, the Group's overseas sales decreased by RMB289.1 million or 10.0% to RMB2,613.6 million (30 June 2013: RMB2,902.7 million) and accounted for 48.0% of the Group's total turnover. Except for the American market where the Group recorded a substantial sales growth of 37.5%, all of the other overseas markets of the Group recorded a drop in sales in the first half of 2014.

Asia and Americas remained the major sources of overseas revenue of the Group. These two markets accounted for 25.0% and 12.2% respectively (30 June 2013: 28.3% and 8.9%) of the Group's turnover during the period under review.



Management Discussion and Analysis

Financial Review

Turnover

During the six months ended 30 June 2014, the Group recorded a total turnover of approximately RMB5,440.4 million (30 June 2013: approximately RMB5,436.4 million), representing a slight increase of RMB4.0 million, or 0.1% as compared to the corresponding period in 2013. The increase was primarily due to the growth in domestic sales slightly outweighing the drop in sales of overseas markets.

As no subsidies for the high energy-saving products were received by the Group during the first half of 2014 (30 June 2013: RMB36.6 million), 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 RMB5,440.4 million (30 June 2013: RMB5,473.0 million) and decreased by 0.6% or RMB32.6 million as compared to the corresponding period in 2013.

Cost of goods sold

Due to the decrease in prices of major raw materials, parts and components during the first half of 2014, cost of goods sold during the period under review reduced to RMB4,504.6 million (30 June 2013: RMB4,678.1 million), representing a decrease of RMB173.5 million or 3.7% as compared to that of the first half of 2013.

Gross profit

During the six months ended 30 June 2014, the Group raised its gross profit by RMB177.4 million or 23.4% to RMB935.7 million (30 June 2013: RMB758.3 million) as the average selling prices of the Group's products increased and overall profitability of the Group continued to improve.

As a result of improving gross profit, the Group's gross margin (calculated as consolidated segment results to turnover) improved sharply to 17.2% in the first half of 2014 as compared to 14.6% for the same period in 2013.

As the Group was able to increase the average selling prices of its products in China, the gross margin of the Group's PRC sales improved to 22.0% (30 June 2013: 18.1%) for the first half of 2014. Despite a decrease in the Group's overseas sales during the reporting period, the average selling prices of the major export air-conditioning products decreased relatively less than the cost of sales, and hence the gross margin of overseas sales also improved to 12.0% (30 June 2013: 11.6%) during the period under review.

Other income

Other income, including mainly the interest income and other operating income, was RMB31.6 million (30 June 2013: RMB33.6 million), representing a decrease of RMB2.0 million or 6.0%.

Selling and distribution costs

The Group's selling and distribution costs increased to RMB459.2 million (30 June 2013: RMB359.5 million), representing a sharp increase of RMB99.7 million or 27.7% for the six months ended 30 June 2014. This increase was mainly due to increases in (i) salaries of the selling and distribution staff; and (ii) advertising and promotion fees during the period under review.



Management Discussion and Analysis

Administrative expenses

Administrative expenses of the Group increased by RMB39.9 million or 20.0% to RMB239.4 million (30 June 2013: RMB199.5 million) for the six months ended 30 June 2014. The increase in administrative expenses was primarily due to increases in (i) salaries and benefits of administrative staff; and (ii) social insurance charges relating to administrative staff during the period under review.

Equity-settled share based payments

The Group recorded equity-settled share based payments of RMB5.3 million (30 June 2013: RMB12.4 million) for the six months ended 30 June 2014, representing a decrease of RMB7.1 million or 57.3%. This non-cash expense was mainly 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 increased to RMB15.6 million (30 June 2013: RMB14.1 million) by 10.6% or RMB1.5 million during the period under review because of the increase in salaries paid to research and development staff.

Other expenses

Other expenses increased substantially by RMB9.6 million or 564.7% during the first half of 2014 and amounted to RMB11.3 million (30 June 2013: RMB1.7 million). The expenses were mainly non-operating expenses during the period under review.

Other gains and losses

The Group recorded other gains of RMB20.0 million (30 June 2013: other losses of RMB22.5 million) in the first half of 2014. The other gains was mainly related to the net recovery of allowance for doubtful debt of RMB12.8 million.

Net (loss) gain in fair value changes on foreign currency forward contracts

The Group had entered into certain foreign currency forward contracts to sell and buy US dollar with financial institutes to hedge against part of its overseas sales income and US dollar loans respectively. Some of the contracts were entered into in 2013 and recorded net gains in fair value changes on foreign currency forward contracts. As the valuation of Renminbi against US dollars dropped during the first half of 2014, those outstanding foreign currency forward contracts incurred net losses in fair value changes for the six months ended 30 June 2014. As a result, the Group recorded a net loss of approximately RMB31.6 million (30 June 2013: net gain of RMB17.4 million) in fair value changes on foreign currency forward contracts.

Finance costs

The Group financed its working capital requirement through obtaining bank loans, discounting part of its bills receivable from customers to financial institutes and issuing corporate debentures. During the period under review, a major subsidiary of the Company had issued medium-term notes of RMB50 million for general working purposes. As at the end of the first half of 2014, the Group had outstanding debentures (including accrued interests) of RMB199.5 million and bank loans of RMB2,219.3 million which had been reduced sharply as compared to the corresponding period in 2013 (Debentures of RMB982.4 million and bank loans of RMB2,457.0 million). However, average interest rates had increased substantially during the reporting period to 6.97% p.a. (30 June 2013: 5.17% p.a.). Since the Group had discounted more bills receivables for working capital and the interest and discount rates were higher, bills discount charges increased substantially during the first half of 2014. As such, the finance costs of the Group increased by RMB21.4 million or 21.1% to RMB122.8 million (30 June 2013: RMB101.4 million) for the six months ended 30 June 2014.



Management Discussion and Analysis

Taxation

Due to the increase in profit before taxation and tax provision in relation to the government subsidies for high energy-saving products received in previous years, the Group's tax charge for the six months ended 30 June 2014 increased by RMB24.2 million or 82.6% to RMB53.5 million (30 June 2013: RMB29.3 million).

Profit for the period and total comprehensive income for the period

As a result of the foregoing, the Group recorded a profit of RMB48.6 million for the six months ended 30 June 2014 (30 June 2013: RMB29.1 million), representing an increase of RMB19.5 million or 67.0% as compared to the corresponding period in 2013. Since the Group had increased its net profit in the reporting period, the Group improved its net margin to 0.9% for the six months ended 30 June 2014 (30 June 2013: 0.5%) accordingly.

Financial position

	As at 30 June 2014 RMB million	As at 31 December 2013 RMB million	Change RMB million	Change %
Non-current assets	2,032.4	1,872.8	+159.6	+8.5
Current assets	9,935.4	10,176.6	-241.2	-2.4
Current liabilities	8,652.2	8,693.7	-41.5	-0.5
Non-current liabilities	305.3	385.8	-80.5	-20.9
Net assets	3,010.3	2,969.9	+40.4	+1.4

As at 30 June 2014, the Group's total consolidated assets decreased by RMB81.6 million or 0.7% to RMB11,967.8 million (31 December 2013: RMB12,049.4 million). The decrease was mainly due to the decrease in value of certain current assets such as inventories (decreased by RMB408.6 million) and bank balances and cash (decreased by RMB118.6 million), which decrease was partly offset by the increases in non-current assets such as property, plant and equipment (increased by RMB82.2 million) and current assets such as trade and other receivables (increased by RMB326.6 million). Total consolidated liabilities of the Group as at 30 June 2014 amounted to RMB8,957.5 million (31 December 2013: RMB9,079.5 million) and decreased by RMB122.0 million or 1.3%. The major liabilities that decreased in the period were short-term bank loans and long-term bank loans (decreased by RMB842.8 million and RMB128.4 million respectively), which decrease was offset by the increases in trade and other payables and borrowings related to bills discounted with recourse (increased by RMB479.7 million and RMB270.1 million respectively).

As the Group recorded a net profit for the period, the Group's net assets increased by 1.4% or RMB40.4 million to RMB3,010.3 million as at 30 June 2014 (31 December 2013: RMB2,969.9 million).



Management Discussion and Analysis

Liquidity, financial resources and capital structure

The funding policy of the Group is to secure sufficient funding for meeting its working capital requirement and smooth operations. The Group will also apply different equity and debt instruments of different tenors to obtain funding from the capital and financial markets in Hong Kong or in the PRC to achieve these objectives.

As the principal operation and production base of the Group are located in the PRC, financial resources are centralised in the headquarters of the Group for efficient allocation. The Group also utilises different banking services and products provided by the financial institutions in the PRC and Hong Kong to facilitate its cash management and treasury activities.

The management, with the assistance of the Group's finance and treasury departments, will closely monitor the market conditions and the needs of the Group to implement the funding and treasury policies.

As at 30 June 2014, the Group's current assets amounted to RMB9,935.4 million (31 December 2013: RMB10,176.6 million) and current liabilities amounted to RMB8,652.2 million (31 December 2013: RMB8,693.7 million). The Group's working capital decreased by RMB199.7 million or 13.5% from RMB1,482.9 million as at the end of 2013 to RMB1,283.2 million as at 30 June 2014. Because of the relatively larger decrease in the Group's current assets, the current ratio dropped to 1.1 times (31 December 2013: 1.2 times) as at 30 June 2014.

The Group experiences a certain degree of seasonal fluctuations in its air-conditioning business. Accordingly, the Group's operations, including its sales, production, working capital and operating cashflow, are closely related to seasonal factors. Demands for air-conditioners are usually higher during summer each year. In order to facilitate production prior to the domestic peak season and to meet the overseas orders, the Group normally experiences temporarily higher funding requirements in the middle and at the end of each year.

In recent years, the Group has made several investments in connection with the vertical integration of its production line. Accordingly, debentures and borrowings of longer tenure matching with the project period were sought for from the banks to serve this purpose.

During the first half of 2014, the Group had obtained funding for its business operation by obtaining bank loans and issuing debentures. As at 30 June 2014, the balances of short-term and long-term bank loans utilised by the Group were RMB2,175.6 million and RMB43.8 million respectively (31 December 2013: RMB3,018.4 million and RMB172.2 million respectively). Short-term loans decreased by RMB842.8 million or 27.9% and the long-term borrowings decreased by RMB128.4 million or 74.6%. The bank loans were used for working capital purposes, majority of the loans are charged at fixed interest rates, repayable within one year, and are made and repaid in Renminbi. In May 2014, the Group also issued medium-term notes in an aggregate principal amount of RMB50 million in the PRC. In addition to the above, the Group had long-term debentures of approximately RMB199.5 million (31 December 2013: RMB154.6 million) outstanding as at the end of the reporting period.

The gearing ratio (calculated as interest-bearing loans and other borrowings to total assets) of the Group decreased to 20.2% as at 30 June 2014 (31 December 2013: 27.8%) because the Group's total borrowings decreased at a faster rate than its total assets.



Management Discussion and Analysis

During the first half of 2014, the Group had discounted more bills receivables for working capital and the interest and the discount rates were higher. Because of higher bills discount charges, the Group increased its finance cost by 21.1% or RMB21.4 million for the first six months comparing to the same period in 2013. However, ability of the Group to service finance costs, as indicated by interest coverage ratio, improved during the reporting period. Since the Group had improved its net profit substantially during the period under review, interest coverage ratio of the Group increased to 1.8 times for the six months ended 30 June 2014 as compared to 1.6 times for the same period in 2013.

During the first half of 2014, 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 net financial liabilities of the Group to these foreign currency forward contracts was approximately RMB0.4 million (31 December 2013: net assets of RMB59.5 million) as at the period end.

As at 30 June 2014, 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 RMB3,010.3 million as at 30 June 2014 (31 December 2013: RMB2,969.9 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 2014.

Cash flows

	Six months ended 30 June	
	2014	2013
	RMB million	RMB million
Net cash from (used in) operating activities	1,169.8	(804.3)
Net cash used in investing activities	(225.7)	(461.7)
Net cash (used in) from financing activities	(1,062.7)	933.2
Net decrease in cash and cash equivalents	(118.6)	(332.8)
Cash and cash equivalents at 30 June	637.9	591.1

For the six months ended 30 June 2014, the Group generated positive cash flow from its operating activities amounting to RMB1,169.8 million and financed its working capital by internally generating cash flow, bank borrowings and debentures.

During the period under review, the Group continued to invest in fixed assets and applied RMB119.8 million and RMB37.0 million (30 June 2013: RMB157.1 million and RMB141.7 million respectively) for purchase and deposits paid on acquisition of property, plant and equipment respectively for its future business expansion and development.

The Group worked hard to reduce bank borrowings. During the first half of 2014, the Group used part of the cash generated to reduce short-term bank loans by RMB842.8 million and long-term bank loans by RMB128.4 million.

As a result of the foregoing, cash balances of the Group decreased by RMB118.6 million during the six months ended 30 June 2014 (30 June 2013: net cash outflow of RMB332.8 million) and the bank balances and cash reduced to RMB637.9 million as at 30 June 2014 (30 June 2013: RMB591.1 million).



Management Discussion and Analysis

Material acquisitions and disposals, significant investments

During the six months ended 30 June 2014, the Group had not made any material acquisitions and disposals of subsidiaries and associated companies and the Group did not hold any significant investments during the period under review.

Charge on assets

As at 30 June 2014, certain bank deposits of the Group in an aggregate carrying amount of approximately RMB1,120.9 million (31 December 2013: approximately RMB1,111.9 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 2014, approximately 48.0% 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 fluctuated in the first half of 2014, the Group incurred losses on the foreign currency forward contracts upon settlement. However, 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 2014.

Employees and Remuneration

As at 30 June 2014, the Group employed 13,489 employees (30 June 2013: 15,049 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.

Significant events

Since the end of the reporting period, no important events affecting the business of the Group have occurred.



Management Discussion and Analysis

Outlook and Future Plans

With an objective to continue to achieve improved financial results of the Group, the management believes that the current corporate strategies adopted by the Group aiming to enhance operational efficiency point towards the correct direction and will produce effective results.

As demands for air-conditioning products from the secondary cities and for replacement of aged air-conditioners in China increase steadily, the Group is of the view that the Chinese air-conditioning market is very promising in the coming future. Coupled with the rebound of PRC sales of the Group in the first half of 2014 and the advantages of developing energy-saving and smart air-conditioners, the management is confident that an ideal annual growth target of domestic sales is achievable.

Despite the decline in export sales of the Group during the six months ended 30 June 2014, it is expected that the overseas market conditions in the second half of 2014 will improve gradually as the year-on-year decline of export sales in air-conditioners has gradually narrowed in recent months.

Besides, Renminbi has recently regain stability and became stronger relative to other foreign currencies after its sudden drop in valuation in the first half of 2014. With such development, the Group expects that the net loss in fair value changes on foreign currency forward contracts will be reduced towards the end of the year.

The new compressor and copper production facilities of the Group have already commenced operation in the first half of 2014 and supplied parts and components to the Group. The management expects that these production facilities will have long-term positive impact on the Group's business and performance in terms of cost effectiveness and product quality. Currently, the Group does not have any plan for material investments or capital assets.



Other Information

Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (30 June 2013: nil).

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

As at 30 June 2014, the interests of the Directors and chief executive 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 2014	Approximate percentage of shareholding ¹
Mr. Li Xinghao ²	Held by controlled corporation	4,322,234,210	51.25
Dr. Zheng Zuyi	Beneficial owner	4,632,000	0.05
Dr. Ding Xiaojiang	Beneficial owner	6,530,750	0.08
Mr. Huang Xingke	Beneficial owner	161,000	0.00
		<u>4,333,557,960</u>	<u>51.38</u>

Notes:

- 1 Based on 8,434,178,000 shares of the Company in issue as at 30 June 2014.
- 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

Name of Director	Associated corporation	Capacity	Number of issued ordinary shares held as at 30 June 2014	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 18 to the condensed consolidated financial statements.

Name of Director	Capacity	Number of options held as at 30 June 2014	Number of underlying shares
Mr. Li Xinghao	Beneficial owner	8,000,000	8,000,000
Dr. Zheng Zuyi	Beneficial owner	50,000,000	50,000,000
Dr. Ding Xiaojiang	Beneficial owner	10,000,000	10,000,000
Mr. Huang Xingke	Beneficial owner	25,000,000	25,000,000
Mr. Wan Junchu	Beneficial owner	1,000,000	1,000,000
Mr. Zhang Xiaoming	Beneficial owner	1,000,000	1,000,000
Mr. Fu Xiaosi	Beneficial owner	1,000,000	1,000,000
		96,000,000	96,000,000

Other than as disclosed above, none of the Directors, the chief executive 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 2014.

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 18 to the condensed consolidated financial statements.



Other Information

The following table discloses the movements in the Company's share options and the underlying shares during the six months ended 30 June 2014:

	Date of grant	Vesting date	Exercise period	Exercise Price ¹ (HKD)	Underlying shares exercisable under the share options					Outstanding at 30 June 2014
					Outstanding at 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Category 1: Directors										
Li Xinghao	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
					8,000,000	-	-	-	-	8,000,000
Zheng Zuyi	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
					50,000,000	-	-	-	-	50,000,000
Ding Xiaojiang	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
					10,000,000	-	-	-	-	10,000,000
Huang Xingke	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
					25,000,000	-	-	-	-	25,000,000



Other Information

	Date of grant	Vesting date	Exercise period	Exercise Price ¹ (HKD)	Underlying shares exercisable under the share options					
					Outstanding at 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2014
Wan Junchu	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
					1,000,000	-	-	-	-	1,000,000
Zhang Xiaoming	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
					1,000,000	-	-	-	-	1,000,000
Fu Xiaosi	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
					1,000,000	-	-	-	-	1,000,000
Sub-total					96,000,000	-	-	-	-	96,000,000
Category 2: Employees										
Employees	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	178,536,000	-	-	-	(1,710,000)	176,826,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	416,684,000	-	-	-	(3,990,000)	412,694,000
Sub-total					595,220,000	-	-	-	(5,700,000)	589,520,000



Other Information

Date of grant	Vesting date	Exercise period	Exercise Price ¹ (HKD)	Underlying shares exercisable under the share options						
				Outstanding at 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2014	
Category 3: Customers										
Customers	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	3,466,000	-	-	-	-	3,466,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	8,184,000	-	-	-	-	8,184,000
Sub-total					11,650,000	-	-	-	-	11,650,000
Total					702,870,000	-	-	-	(5,700,000)	697,170,000

Note:

- The closing price of the shares of the Company immediately before the date of grant, i.e. 22 September 2011 was HKD0.36 per share.

Substantial shareholders

As at 30 June 2014, 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 held as at 30 June 2014	Approximate percentage of shareholding ¹
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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

Notes:

- Based on 8,434,178,000 shares of the Company in issue as at 30 June 2014.
- 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 2014.



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 2014.

Corporate Governance

The Company has adopted and applied its corporate governance practices which are in line with the code provisions contained in the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules. During the first half of 2014, 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 2014, 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 20 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.

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. An independent non-executive director of the Company was unable to attend the Annual General Meeting of the Company held on 27 May 2014 (“**2014 AGM**”) as he had other business engagements.

Pursuant to the Code Provision E.1.2, the chairman of the Board should invite the chairmen of the audit, remuneration, nomination committees to attend the annual general meeting. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. The chairman of the Remuneration Committee was unable to attend the 2014 AGM as he had other business engagements. However, he had appointed another member of the Remuneration Committee as his representative to attend the 2014 AGM.



Other Information

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 2014 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, Mr. Fu Xiaosi, Mr. Zhang Xiaoming and Mr. Wan Junchu. Mr. Fu Xiaosi is the chairman of the Audit Committee.

The Company’s interim results for the six months ended 30 June 2014 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, 27 August 2014



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 21 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other 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 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

27 August 2014



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Turnover	3	5,440,369	5,436,372
Cost of goods sold		(4,504,648)	(4,678,094)
Gross profit		935,721	758,278
Government subsidies for high energy-saving products	4	–	36,640
Other income		31,555	33,565
Selling and distribution costs			
– equity-settled share based payments		(1,179)	(2,798)
– other selling and distribution costs		(459,151)	(359,545)
Administrative expenses			
– equity-settled share based payments		(4,147)	(9,578)
– other administrative expenses		(239,401)	(199,501)
Research and development costs		(15,632)	(14,096)
Other expenses		(11,285)	(1,748)
Other gains and losses		20,022	(22,487)
Net (loss) gain in fair value changes on foreign currency forward contracts		(31,622)	17,360
Net loss in fair value changes on commodity derivative contracts		–	(76,325)
Finance costs		(122,812)	(101,390)
Profit before taxation	5	102,069	58,375
Taxation	6	(53,503)	(29,264)
Profit for the period and total comprehensive income for the period		48,566	29,111
Profit for the period and total comprehensive income for the period attributable to			
– owners of the Company		41,031	22,302
– non-controlling interests		7,535	6,809
		48,566	29,111
Earnings per share	8		
– Basic		RMB0.49 cents	RMB0.26 cents
– Diluted		RMB0.49 cents	RMB0.26 cents



Condensed Consolidated Statement of Financial Position

At 30 June 2014

	Notes	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	1,498,890	1,416,724
Land use rights		218,434	220,772
Intangible assets		1,023	1,192
Prepaid lease payments		234,115	180,993
Deposits made on acquisition of property, plant and equipment		43,749	37,971
Derivative financial instruments		3,004	2,215
Deferred tax assets		13,226	12,907
Available-for-sale investments	10	20,000	–
		2,032,441	1,872,774
Current assets			
Inventories	11	1,886,119	2,294,737
Trade and other receivables	12	6,252,536	5,925,896
Land use rights		5,026	5,378
Prepaid lease payments		18,859	14,445
Taxation recoverable		9,022	10,523
Derivative financial instruments		4,976	57,262
Pledged bank deposits		1,120,946	1,111,881
Bank balances and cash		637,899	756,508
		9,935,383	10,176,630
Current liabilities			
Trade and other payables	13	4,576,667	4,096,955
Warranty provision		27,011	26,862
Taxation payable		177,560	134,647
Borrowings related to bills discounted with recourse	14	1,686,976	1,416,856
Short-term bank loans	15	2,175,559	3,018,404
Derivative financial instruments		8,421	–
		8,652,194	8,693,724
Net current assets		1,283,189	1,482,906
Total assets less current liabilities		3,315,630	3,355,680



Condensed Consolidated Statement of Financial Position

At 30 June 2014

	Notes	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Non-current liabilities			
Government grants		38,124	38,768
Long-term debentures	16	199,513	154,600
Long-term bank loans	15	43,750	172,219
Deferred tax liabilities		23,938	20,180
		305,325	385,767
Net assets		3,010,305	2,969,913
Capital and reserves			
Share capital	17	71,906	71,906
Reserves		2,899,526	2,853,169
Equity attributable to owners of the Company		2,971,432	2,925,075
Non-controlling interests		38,873	44,838
Total equity		3,010,305	2,969,913

The condensed consolidated financial information on pages 21 to 38 were approved and authorised for issue by the Board of Directors on 27 August 2014 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 2014

	Share capital	Share premium	Special reserve	Share compensation reserve	Share options reserve	Statutory surplus reserve fund	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000 (Note c)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	71,906	938,187	(26,408)	63,535	49,742	218,520	1,609,593	2,925,075	44,838	2,969,913
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	41,031	41,031	7,535	48,566
Recognition of equity-settled share based payments	-	-	-	-	5,326	-	-	5,326	-	5,326
Distribution to non-controlling shareholders (Note d)	-	-	-	-	-	-	-	-	(13,500)	(13,500)
Transfers	-	-	-	-	-	13,919	(13,919)	-	-	-
At 30 June 2014 (unaudited)	71,906	938,187	(26,408)	63,535	55,068	232,439	1,636,705	2,971,432	38,873	3,010,035
At 1 January 2013	71,906	938,187	(26,408)	63,535	30,465	200,172	1,428,070	2,705,927	30,290	2,736,217
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	22,302	22,302	6,809	29,111
Recognition of equity-settled share based payments	-	-	-	-	12,376	-	-	12,376	-	12,376
Transfers	-	-	-	-	-	13,806	(13,806)	-	-	-
At 30 June 2013 (unaudited)	71,906	938,187	(26,408)	63,535	42,841	213,978	1,436,566	2,740,605	37,099	2,777,704

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, Messrs. 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 subsidiaries of the Company are 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 subsidiaries 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) Amount represents dividend paid by a non-wholly owned subsidiary of the Company during the period.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Net cash from (used in) operating activities	1,169,767	(804,276)
Investing activities		
Placement of pledged bank deposits	(415,451)	(345,030)
Purchase of property, plant and equipment	(119,760)	(157,062)
Prepaid lease payments paid	(65,626)	(23,451)
Deposits paid on acquisition of property, plant and equipment	(36,953)	(141,687)
Purchase of available-for-sale investments	(20,000)	–
Withdrawal of pledged bank deposits	406,386	168,401
Proceeds from disposal of property, plant and equipment	1,088	3,895
Interest received	24,653	18,646
Net cash inflow on acquisition of a subsidiary	–	14,599
Net cash used in investing activities	(225,663)	(461,689)
Financing activities		
Bank loans raised	1,800,559	1,474,882
Proceeds from issue of debentures	50,000	150,000
Repayment of bank loans	(2,771,873)	(589,033)
Interest paid	(127,449)	(73,482)
Distribution to non-controlling shareholders	(13,500)	–
Expenses incurred in connection with the issue of debentures	(450)	(1,350)
Repayment to other creditors	–	(27,840)
Net cash (used in) from financing activities	(1,062,713)	933,177
Net decrease in cash and cash equivalents	(118,609)	(332,788)
Cash and cash equivalents at 1 January	756,508	923,860
Cash and cash equivalents at 30 June	637,899	591,072
Analysis of the balances of cash and cash equivalents Bank balances and cash	637,899	591,072



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 ("HKAS 34") 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 are 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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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 chief executive officer ("CEO"), 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.

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	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Mainland China (the "PRC")	2,826,820	2,533,700	622,908	458,027
Asia (excluding PRC)	1,359,288	1,538,407	148,594	163,301
Americas	664,328	483,327	95,087	70,497
Africa	276,062	439,578	28,438	49,720
Europe	308,872	435,458	39,334	51,714
Oceania	4,999	5,902	1,360	1,659
	5,440,369	5,436,372	935,721	794,918
Unallocated other income			31,555	33,565
Unallocated expenses			(468,487)	(440,701)
Staff costs included in selling and distribution costs and administrative expenses			(223,745)	(156,648)
Allowance for doubtful debts			(18,541)	(12,404)
Net loss in fair value changes on commodity derivative contracts			-	(76,325)
Net (loss) gain in fair value changes on foreign currency forward contracts			(31,622)	17,360
Finance costs			(122,812)	(101,390)
Profit before taxation			102,069	58,375

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 CODM for the purposes of resource allocation and performance assessment.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

4. GOVERNMENT SUBSIDIES FOR HIGH ENERGY-SAVING PRODUCTS

During the period, no government subsidies in respect of high energy-saving products sold was entitled by the Group (2013: RMB36,640,000).

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Allowance for doubtful debts included in other gains and losses	18,541	12,404
Amortisation of intangible assets included in administrative expense	169	167
Charitable donations in the PRC	422	249
Depreciation of property, plant and equipment	67,554	53,016
Net loss in fair value changes on commodity derivative contracts (note a)	–	76,325
Provision for warranty included in cost of goods sold	15,488	12,053
Release of prepaid lease payments	8,090	8,230
Write down on inventories	3,802	2,501
and after crediting:		
Amortisation of government grants	644	644
Government subsidies included in other income (note b)	4,005	3,627
Interest income	24,653	18,646
Reversal of doubtful debts included in other gains and losses	31,390	11,007

Notes:

- (a) The Group's operations will consume substantial amounts of compressors, as well as commodity such as copper that is highly susceptible to price volatility. In order to minimise the impact from fluctuations of copper's price, the Group has entered into a number of copper forward contracts with certain commodity traders in prior period. During the six months ended 30 June 2013, a realised loss of RMB76,325,000 was resulted and recognised in profit or loss.
- (b) 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 2014

6. TAXATION

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
The charge comprises:		
PRC income tax		
– current period	(50,064)	(26,023)
Deferred taxation	(3,439)	(3,241)
	(53,503)	(29,264)

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. In addition, the income tax rate for both domestic and foreign investment enterprise was unified at 25% effective from 1 January 2008 (Order of the President [2007] No. 63) except that certain PRC subsidiaries were officially endorsed as High-New Technology Enterprises and eligible to preferential Enterprise Income Tax ("EIT") rate of 15% during the period ended 30 June 2014.

According to a joint circular of Ministry of Finance and the State Administration of Taxation of the PRC, Cai Shui [2008] No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to 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 2014 and 30 June 2013 have been accrued at the tax rate of 10% on the expected dividend stream of 30% which is determined by the directors of the Company.

7. DIVIDENDS

No dividend were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit for the period attributable to owners of the Company of RMB41,031,000 (2013: RMB22,302,000) and on the weighted average number of 8,434,178,000 (2013: 8,434,178,000) shares in issue during the period.

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred an aggregate amount of RMB150,935,000 (2013: RMB296,733,000) for the acquisitions of property, plant and equipment in the PRC in order to upgrade its manufacturing capabilities. Part of the consideration of RMB31,175,000 and RMB nil (2013: RMB79,061,000 and RMB60,610,000) were settled through deposits paid in prior year and acquired through acquisition of a subsidiary, respectively.

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB1,215,000 (2013: RMB4,224,000) for cash proceeds of RMB1,088,000 (2013: RMB3,895,000), resulting in a loss on disposal of RMB127,000 (2013: RMB329,000).

10. AVAILABLE-FOR-SALE INVESTMENTS

During the period, the Group invested in 10% equity interests as a promoter in a private limited liability company, 佛山市納新小額貸款有限公司, which was established in the PRC. 佛山市納新小額貸款有限公司 is engaged in financing services. The investment is measured at cost less impairment as the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

11. INVENTORIES

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Raw materials	347,853	556,616
Work in progress	68,960	46,896
Finished goods	1,469,306	1,691,225
	1,886,119	2,294,737



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For the six months ended 30 June 2014

12. TRADE AND OTHER RECEIVABLES

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Trade receivables	3,319,145	3,063,598
Bills receivables	2,701,443	2,609,731
	6,020,588	5,673,329
Deposits paid to suppliers	121,421	172,988
Prepayments	2,282	1,474
Advances to staff	15,981	19,248
Value-added tax recoverable	68,967	28,958
Other receivables	23,297	29,899
	6,252,536	5,925,896

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 payable within 210 days. The following is an aged analysis of trade and bills receivables presented based on the invoice dates at the end of the reporting period which approximated the respective revenue recognition dates:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Age		
0 – 30 days	3,387,850	1,016,746
31 – 60 days	768,459	1,008,698
61 – 90 days	742,468	674,014
91 – 180 days	935,468	2,713,480
181 – 365 days	186,343	204,154
Over 1 year	–	56,237
	6,020,588	5,673,329



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13. TRADE AND OTHER PAYABLES

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Trade payables	933,029	762,452
Bills payables	2,882,528	2,675,546
	3,815,557	3,437,998
Customers' deposits	239,490	212,634
Payroll and welfare payables	87,437	58,957
Other tax payables	46,412	51,033
Accruals	149,592	118,624
Other payables (Note)	238,179	217,709
	4,576,667	4,096,955

Note: As at 30 June 2014 and 31 December 2013, the balance of other payables included interest bearing advances of RMB39,000,000 and RMB20,000,000 from Foshan Suizhou Communications Equipment Co., Ltd. ("Suizhou") and Foshan Nanhai Nanyan Industrial Co., Ltd. ("Nanyan") at fixed interest rates of 12% p.a. and 12% p.a., respectively, which are the suppliers of the Group and the amounts are unsecured and repayable on demand. The liabilities were assumed through acquisition of a subsidiary during the year ended 31 December 2013.

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 presented based on the invoice date at the end of the reporting period:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Age		
0 – 90 days	2,538,867	2,338,191
91 – 180 days	1,227,534	1,078,485
181 – 365 days	39,727	8,053
Over 1 to 2 years	9,429	13,269
	3,815,557	3,437,998

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 6.00% to 7.20% (2013: 5.60% to 9.60%) per annum at the end of reporting period.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

15. BANK LOANS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Bank loans		
– unsecured	1,653,395	2,400,637
– secured by bank deposits and “Chigo” trademark	–	739,986
– secured by bank deposits	464,164	–
– guaranteed by Mr. Li Xinghao	101,750	50,000
	2,219,309	3,190,623

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 RMB101,750,000 (2013: RMB50,000,000).

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Carrying amount repayable:		
Within one year	2,175,559	3,018,404
More than one year, but not exceeding two years	43,750	122,219
More than two years, but not exceeding three years	–	50,000
	2,219,309	3,190,623
Less: Amounts due within one year shown under current liabilities	(2,175,559)	(3,018,404)
Amount due after one year	43,750	172,219

Also, at the end of the reporting period, the Group has unutilised available credit facilities amounting to RMB6,524,121,000 (31.12.2013: RMB4,602,288,000).

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

	30.6.2014 RMB'000 equivalent (unaudited)	31.12.2013 RMB'000 equivalent (audited)
United States Dollars (“USD”)	160,519	692,428



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

15. BANK LOANS (Continued)

Average interest rates charged to the Group were as follows:

	30.6.2014	31.12.2013
Bank loans	6.97%	5.17%

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

16. LONG-TERM DEBENTURES

On 12 May 2014, Guangdong Chigo, the Company's wholly owned subsidiary, issued long-term debentures in an aggregate principal amount of RMB50,000,000 (the "2014 Debentures"). The 2014 Debentures, with a fixed coupon rate of 8.0% per annum and a face value of RMB100 each, were listed and transferable on the inter-bank debenture market in the PRC, at 100% of its face value with a maturity period of three years.

On 23 May 2013, Guangdong Chigo issued long-term debentures in an aggregate principal amount of RMB150,000,000 (the "2013 Debentures"). The 2013 Debentures, with a fixed coupon rate of 6.50% per annum and a face value of RMB100 each, were listed and transferable on the inter-bank debenture market in the PRC, at 100% of its face value with a maturity period of three years.

The movement of the debentures during the year is set out below:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Carrying value at the beginning of the period/year	154,600	805,800
Repayment of debentures and interests thereon	(5,687)	(847,200)
Proceeds from issue of debentures	50,000	150,000
Transaction costs	(450)	(1,350)
	198,463	107,250
Interest expenses charged	1,050	47,350
	199,513	154,600
Carrying value at the end of the period/year	199,513	154,600
Carrying amount repayable more than one year, but not more than three years	199,513	154,600



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17. 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 2013, 31 December 2013 and 30 June 2014	50,000,000	500,000	8,434,178	84,341
				RMB'000
Shown in the condensed consolidated statement of financial position at 30 June 2014 and 31 December 2013				71,906

18. 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. 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. The Scheme will be valid and effective for a period of 10 years from the date of adoption.

At 30 June 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 697,170,000 (2013: 702,870,000), representing 8.3% (2013: 8.3%) of the shares of the Company in issue at that date. 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 10% of the shares of the Company in issue on the date of the approval of the resolution. Notwithstanding the foregoing, the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to 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 0.10% 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.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. EQUITY-SETTLED SHARE BASED PAYMENTS (Continued)

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 1.1.2013	Lapsed during the year	Outstanding at 31.12.2013	Lapsed during the period	Outstanding at 30.6.2014
Directors	23.9.2011	23.9.2011 – 22.9.2013	23.9.2013 – 22.9.2018	0.45	28,800,000	-	28,800,000	-	28,800,000
		23.9.2011 – 22.9.2016	23.9.2016 – 22.9.2018	0.45	67,200,000	-	67,200,000	-	67,200,000
Employees	23.9.2011	23.9.2011 – 22.9.2013	23.9.2013 – 22.9.2018	0.45	184,708,000	(6,172,000)	178,536,000	(1,710,000)	176,826,000
		23.9.2011 – 22.9.2016	23.9.2016 – 22.9.2018	0.45	431,092,000	(14,408,000)	416,684,000	(3,990,000)	412,694,000
Customers [#]	23.9.2011	23.9.2011 – 22.9.2013	23.9.2013 – 22.9.2018	0.45	3,942,000	(476,000)	3,466,000	-	3,466,000
		23.9.2011 – 22.9.2016	23.9.2016 – 22.9.2018	0.45	9,308,000	(1,124,000)	8,184,000	-	8,184,000
					725,050,000	(22,180,000)	702,870,000	(5,700,000)	697,170,000
Exercisable at end of the period					210,802,000			209,092,000	

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. 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.

The Group recognised the total expenses of RMB5,326,000 and RMB12,376,000 for the period ended 30 June 2014 and 30 June 2013, respectively, in relation to share options granted by the Company to the Group's directors and employees.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30 June 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Foreign currency contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Current assets – RMB1,899,000	Current assets – RMB2,087,000	Level 2	(1) Outright forward contracts Discounted cash flow Future cash flows are estimated based on difference between predetermined forward exchange rates and spot exchange rates at the end of the reporting period, discounted at a rate that reflects the credit risk of various counterparties.
	Current liabilities – RMB197,000	N/A	Level 2	
	Current assets – RMB3,077,000	Current assets – RMB55,175,000	Level 2	(2) Forward contracts with flexible settlement dates Discounted cash flow Future cash flows are estimated based on difference between predetermined forward exchange rates and spot exchange rates at the end of the reporting period, discounted at a rate that reflects the credit risk of various counterparties.
	Current liabilities – RMB8,224,000	N/A	Level 2	
	Non-current assets – RMB3,004,000	Non-current assets – RMB2,215,000	Level 2	(3) Forward contracts with flexible exchange rate Black-Scholes Model The key determinants of the model are predetermined range exchange rates, predetermined forward exchange rate, predetermined upper trigger exchange rate, spot exchange rate, market risk free interest rate.



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19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

There were no transfers between Level 1 and 2 in the current and prior periods.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

20. CAPITAL COMMITMENTS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial information in respect of acquisition of property, plant and equipment	39,732	78,879

21. 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 totalling RMB390,550 (2013: RMB471,000) to a related company which is controlled by Mr. Li Xinghao, a director as well as 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 RMB1,416,756 (2013: RMB1,762,000).

