CHIGO

CHIGO HOLDING LIMITED
志高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 449

CHIGO •
LEADER OF HIGH-END AIR CONDITIONING

Interim Report 2015

Contents

Financial Highlights

Turnover decreased by 15.8% to RMB 4,581.3 million

Net margin declined by 1.5 percentage points to a net loss margin 0.6%

Gross profit decreased by 26.8% to RMB 685.3 million

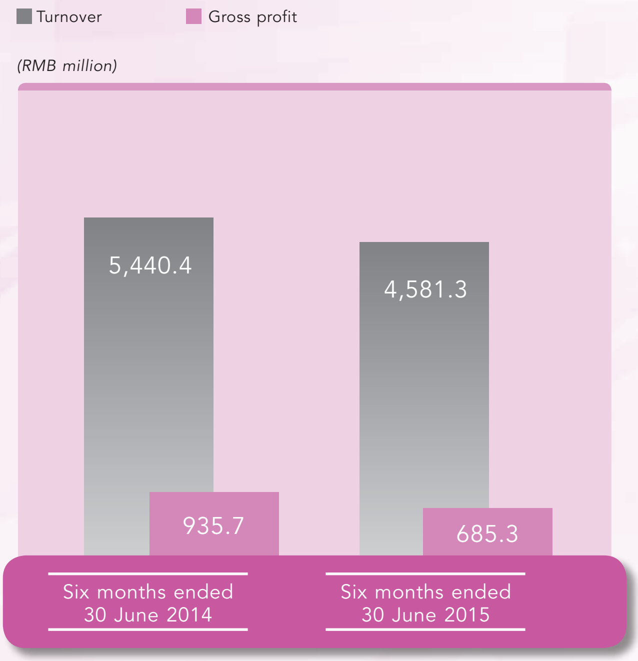
Total assets decreased by 0.1% (as compared to 31 December 2014) to RMB 11,153.8 million

Gross margin decreased from 17.2% to 15.0%

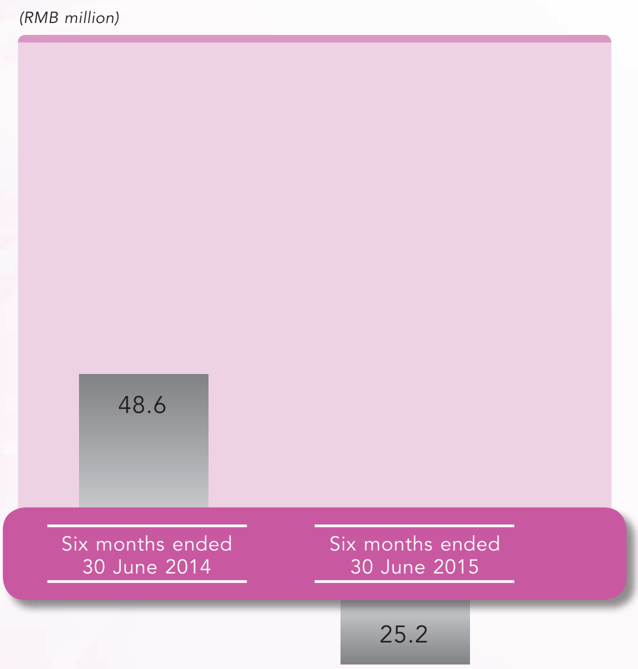
Net assets decreased by 1.3% (as compared to 31 December 2014) to RMB 2,867.1 million

Net profit decreased by 151.9% to a net loss for the period RMB 25.2 million

Turnover and gross profit



(Loss) profit for the period



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
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 2015:	
No. of shares issued:	8,434,178,000 shares
Market capitalisation:	HKD1.70 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

Air-conditioning manufacturers faced a very difficult business environment in the first half of 2015. According to industry data, the sales performance of most air-conditioning brands in domestic and overseas markets in the first six months of 2015 were dismal.

In the first half of 2015, due to macroeconomic downturn, the overall demand for air-conditioning products in China was weak. In addition, during the period, the air-conditioning industry had been very competitive. Some companies in the industry adopted aggressive pricing strategies and introduced a variety of "profit-sharing" promotional activities to alleviate the pressure of their own inventory and a price war ensued, which led to an overall decline in the sales and average selling prices of air-conditioning products. Continuous rainy days and flooding in extensive areas in China during the peak season also seriously affected the air-conditioner sales in the first six months of 2015. As a result, the Group's domestic sales volume and gross profit margins of its major air-conditioning products decreased considerably during the period under review.

On the exports side, despite the Group having to face various unfavorable factors, such as exchange rate depreciation, economic downturn and low consumption sentiments, our export team still achieved a slight increase in sales volume. However, as the average selling price of export air-conditioning products fell in the first half of 2015 due to keen price competition, the Group's overseas sales for the period ended 30 June 2015 dropped slightly compared with the same period in 2014.

In Asia (excluding PRC) and Oceania regions, the Group, through product and market development, and nurturing and helping brand agents and distributors, successfully developed new markets and secured new customers. As such, the Group recorded fairly good growth in these markets for the first six months of 2015. The Americas market was dragged down by the economic downturn, high inventory and currency devaluation in Latin America, whereas the African market suffered from reserve restriction and political instability in some countries, and inventory backlog caused by low temperatures. In Europe, market demand was weak due to lower consumer spending as a result of severe currency devaluation in Eastern Europe and the shadow of the economic crisis in Europe. As a result of the above, the export performance of the Americas, Africa and Europe markets were disappointing and all recorded a drop in export sales for the period under review.

In the commercial segment, the Group was able to maintain the sales volume and raised the average selling price of its commercial air-conditioners. Therefore, sales of commercial air-conditioning products continued to grow in the first six months of 2015.

The production facilities of the Group for copper tubes commenced production in 2014. As the production facilities produced only a small amount of components for use within the Group, it had yet to be fully utilised during the period and continued to incur a loss in its early operational phase. However, the Group expects that the operation and performance of such production facilities will turn around gradually with subsequent increase in production.

Operation Review

Results of operations

	Six months ended 30 June					
	2015		2014		Change	
	RMB million	***% of Turnover***	*RMB million*	*% of Turnover*	*RMB million*	*%*
Geographic region						
PRC sales	**2,082.1**	**45.4**	2,826.8	52.0	-744.7	-26.3
Asia (excluding PRC)	**1,596.5**	**34.9**	1,359.3	25.0	+237.2	+17.5
Americas	**461.5**	**10.1**	664.3	12.2	-202.8	-30.5
Africa	**243.7**	**5.3**	276.1	5.0	-32.4	-11.7
Europe	**191.0**	**4.2**	308.9	5.7	-117.9	-38.2
Oceania	**6.5**	**0.1**	5.0	0.1	+1.5	+30.0
Overseas sales	**2,499.2**	**54.6**	2,613.6	48.0	-114.4	-4.4
Total turnover	**4,581.3**	**100.0**	5,440.4	100.0	-859.1	-15.8

PRC Sales

During the reporting period, due to macroeconomic downturn and keen competition, PRC sales dropped sharply year-on-year and contributed 45.4% (30 June 2014: 52.0%) to the Group's turnover during the six months ended 30 June 2015. As both the average selling prices and sales volumes of major air-conditioning products decreased, the Group recorded PRC sales of RMB2,082.1 million (30 June 2014: RMB2,826.8 million), representing a decrease of RMB744.7 million or 26.3%.

Overseas Sales

For the six months ended 30 June 2015, the Group's overseas sales decreased by RMB114.4 million or 4.4% to RMB2,499.2 million (30 June 2014: RMB2,613.6 million) and accounted for 54.6% of the Group's total turnover. Except for the Asia (excluding PRC) and Oceania markets where the Group recorded sales growth of 17.5% and 30.0% respectively, all of the other overseas markets of the Group recorded a drop in sales in the first half of 2015.

Asia (excluding PRC) and Americas remained the major sources of overseas revenue of the Group. These two markets accounted for 34.9% and 10.1% respectively (30 June 2014: 25.0% and 12.2%) of the Group's turnover during the period under review.

Management Discussion and Analysis

Financial Review

Turnover

During the six months ended 30 June 2015, the Group recorded a total turnover of approximately RMB4,581.3 million (30 June 2014: approximately RMB5,440.4 million), representing a decrease of RMB859.1 million, or 15.8% as compared to the corresponding period in 2014. The decrease was primarily due to the sharp decrease in domestic sales.

Cost of goods sold

Due to the decrease in sales volume of major air-conditioning products of the Group and prices of major raw materials, parts and components during the first half of 2015, cost of goods sold during the period under review reduced to RMB3,895.9 million (30 June 2014: RMB4,504.6 million), representing a decrease of RMB608.7 million or 13.5% as compared to that of the first half of 2014.

Gross profit

During the six months ended 30 June 2015, gross profit of the Group dropped by RMB250.4 million or 26.8% to RMB685.3 million (30 June 2014: RMB935.7 million) due to the decreases in sales volume and the average selling price of its major air-conditioning products. As a result, the Group's gross margin decreased to 15.0% in the first half of 2015 as compared to 17.2% for the same period in 2014.

As the demand for air-conditioning products was weak due to economic slowdown, the sluggish property market in China and keen competition in the air-conditioning industry, the gross margin of the Group's PRC sales dropped to 18.4% (30 June 2014: 22.0%) for the first half of 2015. Despite a decrease in the Group's overseas sales during the reporting period, the profit margins of the products sold in the major overseas markets improved, and hence the gross margin of overseas sales improved slightly to 12.1% (30 June 2014: 12.0%) during the period under review.

Other income

Other income, including mainly the interest income and other operating income, was RMB33.3 million (30 June 2014: RMB31.6 million), representing an increase of RMB1.7 million or 5.4%.

Selling and distribution costs

The Group's selling and distribution costs dropped to RMB394.5 million (30 June 2014: RMB459.2 million), representing a decrease of RMB64.7 million or 14.1% for the six months ended 30 June 2015. This decrease was mainly due to decreases in (i) salaries of the selling and distribution staff; and (ii) transportation cost during the period under review.

Administrative expenses

Administrative expenses of the Group increased slightly by RMB3.5 million or 1.5% to RMB242.9 million (30 June 2014: RMB239.4 million) for the six months ended 30 June 2015. The increase in administrative expenses was primarily due to increases in (i) travelling expenses; and (ii) rental and amortisation charges during the period under review.

Management Discussion and Analysis

Equity-settled share based payments

The Group recorded equity-settled share based payments of RMB4.0 million (30 June 2014: RMB5.3 million) for the six months ended 30 June 2015, representing a decrease of RMB1.3 million or 24.5%. 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 RMB16.8 million (30 June 2014: RMB15.6 million) by 7.7% or RMB1.2 million for the six months ended 30 June 2015.

Other expenses

Other expenses decreased by RMB4.3 million or 38.1% during the first half of 2015 and amounted to RMB7.0 million (30 June 2014: RMB11.3 million). The expenses were mainly non-operating expenses during the period under review.

Other gains and losses

The Group recorded other losses of RMB6.0 million (30 June 2014: other gains of RMB20.0 million) in the first half of 2015. The increase in other losses was mainly due to the increase in net allowance for doubtful debts.

Net gain (loss) in fair value changes of 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. As the valuation of Renminbi against US dollars remained relatively stable and part of the foreign currency forward contracts had been settled during the first half of 2015, those settled and outstanding foreign currency forward contracts recorded net gains in fair value changes for the six months ended 30 June 2015. As a result, the Group recorded a net gain of approximately RMB52.0 million (30 June 2014: net loss of RMB31.6 million) in fair value changes of foreign currency forward contracts.

Finance costs

The Group financed its working capital requirement through obtaining bank loans and funding through finance lease arrangement, discounting part of its bills receivable from customers to financial institutes and issuing corporate debentures. As at the end of the first half of 2015, the Group had outstanding debentures (including accrued interests) of RMB200.4 million, bank loans of RMB1,724.4 million and obligations under finance lease of RMB141.4 million. The Group also discounted bills receivables for working capital during the first half of 2015. Since the average balance of interest bearing borrowings was lower for the first half of 2015, the finance costs of the Group decreased by RMB25.7 million or 20.9% to RMB97.1 million (30 June 2014: RMB122.8 million) for the six months ended 30 June 2015.

Taxation

Due to the decrease in profit before taxation, the Group's tax charge for the six months ended 30 June 2015 decreased by RMB26.0 million or 48.6% to RMB27.5 million (30 June 2014: RMB53.5 million).

Loss for the period and total comprehensive expense for the period

As a result of the foregoing, the Group recorded a loss of RMB25.2 million for the six months ended 30 June 2015 (30 June 2014: profit of RMB48.6 million), representing a decrease of RMB73.8 million or 151.9% as compared to the corresponding period in 2014. Since the Group had recorded a loss in the reporting period, there was a decline from a net margin of 0.9% for the six months ended 30 June 2014 to a net loss of 0.6% for the six months ended 30 June 2015 accordingly.

Financial position

	As at 30 June 2015	As at 31 December 2014	Change	Change
	RMB million	*RMB million*	*RMB million*	*%*
Non-current assets	**2,028.8**	2,012.5	+16.3	+0.8
Current assets	**9,125.0**	9,149.5	-24.5	-0.3
Current liabilities	**8,089.8**	7,979.2	+110.6	+1.4
Non-current liabilities	**196.9**	276.5	-79.6	-28.8
Net assets	**2,867.1**	2,906.3	-39.2	-1.3

As at 30 June 2015, the Group's total consolidated assets decreased by RMB8.2 million or 0.1% to RMB11,153.8 million (31 December 2014: RMB11,162.0 million). The decrease was mainly due to the decrease in value of certain current assets such as trade and other receivables (decreased by RMB542.9 million) and pledged bank deposits (decreased by RMB185.5 million), which decrease was partly offset by the increases in other current assets such as inventories (increased by RMB247.5 million), restricted deposits (increased by RMB114.1 million) and bank balances and cash (increased by RMB327.1 million). Total consolidated liabilities of the Group as at 30 June 2015 amounted to RMB8,286.7 million (31 December 2014: RMB8,255.7 million) and increased by RMB31.0 million or 0.4%. The major liabilities that increased in the period were trade and other payables and obligations under finance lease (increased by RMB619.3 million and RMB141.4 million respectively), which increase was offset by the decreases in borrowings related to bills discounted with recourse and bank loans (decreased by RMB356.9 million and RMB370.4 million respectively).

As the Group recorded a net loss for the period, the Group's net assets decreased by 1.3% or RMB39.2 million to RMB2,867.1 million as at 30 June 2015 (31 December 2014: RMB2,906.3 million).

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 2015, the Group's current assets amounted to RMB9,125.0 million (31 December 2014: RMB9,149.5 million) and current liabilities amounted to RMB8,089.8 million (31 December 2014: RMB7,979.2 million). The Group's working capital decreased by RMB135.1 million or 11.5% from RMB1,170.3 million as at the end of 2014 to RMB1,035.2 million as at 30 June 2015. Despite the decrease in the Group's current assets and the increase in the Group's current liabilities, the current ratio remained at 1.1 times (31 December 2014: 1.1 times) as at 30 June 2015.

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. Demand for air-conditioners is 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 2015, the Group had obtained funding for its business operation by obtaining bank loans, issuing debentures and funding from finance lease arrangement. As at 30 June 2015, the balances of short-term and long-term bank loans utilised by the Group were RMB1,705.7 million and RMB18.8 million respectively (31 December 2014: RMB1,940.9 million and RMB154.0 million respectively). Short-term loans decreased by RMB235.2 million or 12.1% and the long-term borrowings decreased by RMB135.2 million or 87.8%. 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 addition, the Group had debentures of approximately RMB200.4 million (31 December 2014: RMB207.0 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 18.5% as at 30 June 2015 (31 December 2014: 20.6%) because the Group's total borrowings decreased at a faster rate than its total assets.

During the first half of 2015, the Group had discounted less bills receivables for working capital and the average balance of interest bearing borrowings was lower, the Group reduced its finance cost by 20.9% or RMB25.7 million for the first six months comparing to the same period in 2014. However, ability of the Group to service finance costs, as indicated by interest cover, worsened during the reporting period. Since the Group had recorded a loss during the period under review, interest cover of the Group decreased to 1.0 times for the six months ended 30 June 2015 as compared to 1.8 times for the same period in 2014.

During the first half of 2015, 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 assets of the Group relating to these foreign currency forward contracts was approximately RMB18.9 million (31 December 2014: net liabilities of RMB7.2 million) as at the period end.

Management Discussion and Analysis

As at 30 June 2015, 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 loss for the period, the shareholders' equity decreased to RMB2,867.1 million as at 30 June 2015 (31 December 2014: RMB2,906.3 million).

On 22 June 2015, the Company as issuer, together with Mr. Li Xinghao (a director and controlling shareholder of the Company) and Chigo Group Holding Limited (the controlling shareholder of the Company) as guarantors, entered into a subscription agreement (the "**Subscription Agreement**") with Chance Talent Management Limited (the "**Investor**") as investor, pursuant to which the Company has conditionally agreed to issue, and the Investor has conditionally agreed to subscribe for, the convertible bond in the principal amount of up to US$30,000,000. On 24 August 2015, the Company announced that as certain conditions precedent were not fulfilled on 21 August 2015, the Subscription Agreement has lapsed and the proposed issue of convertible bond will not be proceeded with.

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 2015.

Cash flows

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
Net cash from operating activities	**717.6**	1,169.8
Net cash used in investing activities	**(30.4)**	(225.7)
Net cash used in financing activities	**(360.0)**	(1,062.7)
Net increase (decrease) in cash and cash equivalents	**327.1**	(118.6)
Cash and cash equivalents at 30 June	**791.6**	637.9

For the six months ended 30 June 2015, the Group generated positive cash flow from its operating activities amounting to RMB717.6 million. During the period, the Group financed its working capital by internally generating cash flow, bank borrowings, debentures and finance lease.

During the period under review, the Group continued to invest in fixed assets and applied RMB94.6 million and RMB31.7 million (30 June 2014: RMB119.8 million and RMB37.0 million respectively) for purchase and deposits paid on acquisition of property, plant and equipment respectively for its future business expansion and development. With a net withdrawal of pledged bank deposits of RMB185.5 million, the Group used net cash of approximately RMB30.4 million in its investing activities.

During the first half of 2015, the Group further reduced its borrowings and applied part of the cash generated to reduce bank loans by a net amount of RMB370.4 million and resulted in a net cash outflow of RMB360.0 million in financing activities.

As a result of the foregoing, cash balances of the Group increased by RMB327.1 million during the six months ended 30 June 2015 (30 June 2014: net cash outflow of RMB118.6 million) and the bank balances and cash increased to RMB791.6 million as at 30 June 2015 (30 June 2014: RMB637.9 million).

Material acquisitions and disposals, significant investments

On 21 May 2015, 廣東志高精密機械有限公司 (Guangdong Chigo Precision Machinery Co., Ltd, "**Chigo Precision**"), an indirect wholly-owned subsidiary of the Company, entered into (i) an equipment purchase agreement, and (ii) a finance lease contract with International Far Eastern Leasing Co., Ltd. ("**FE Leasing**"), pursuant to which FE Leasing has conditionally agreed to purchase certain machinery and equipment in the PRC (the "**Equipment**") from Chigo Precision at an aggregate consideration of RMB174,845,000 and lease the Equipment back to Chigo Precision for a period of 36 months.

Other than the above, 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 six months ended 30 June 2015.

Charge on assets

As at 30 June 2015, certain bank deposits of the Group in an aggregate carrying amount of approximately RMB892.3 million (31 December 2014: approximately RMB1,077.7 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 2015, approximately 54.6% of the Group's sales was denominated in currencies other than Renminbi, predominantly the US dollar, whilst most of the costs and expenses incurred by the Group were denominated in Renminbi. In this regard, the Group may be exposed to foreign currency risk. During the reporting period, the Group had entered into certain foreign currency forward contracts to hedge against foreign exchange risk. The exchange rate of Renminbi against the US dollar was relatively stable in the first half of 2015, the Group gained on the foreign currency forward contracts upon settlement. 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 2015.

Employees and Remuneration

As at 30 June 2015, the Group employed 13,765 employees (30 June 2014: 13,489 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

As mentioned above, the Company announced on 24 August 2015 that the Subscription Agreement has lapsed and the proposed issue of convertible bond of US$30,000,000 will not be proceeded with.

Other than the above, no important events affecting the business of the Group have occurred since the end of the reporting period.

Outlook and Future Plans

The first half of 2015 has been a difficult period for the business of the Group, and the Group expects the challenges facing the business will continue to be great. Current factors such as the global economic slowdown, weak consumer spending, and devaluation of national currencies will continue to affect the sales of air conditioning products. The aforesaid difficulties all need time to be resolved. The recent cuts of the central parity of Renminbi by the People's Bank of China have also increased the uncertainties on the exchange rates, which in turn will also affect the intention of customers to place orders.

The management believes that there are threats and opportunities in the current market. The Group will continue to follow the strategies of developing smart air-conditioning technology, and targeting mid and high-end customers, which were laid down early this year.

The management also noted the recent drop in domestic sales of major air-conditioning products in the first half of 2015. The Group has already made some adjustments to the domestic marketing strategy and arrangement with a goal to strengthen the business cooperation and sales channels in the coming year, so as to improve the Group's sales.

As at 30 June 2015, the Group had no plans for material investments or acquisitions of capital assets but will closely monitor market trends and explore potential business collaboration opportunities with various domestic and international well-known enterprises.

Other Information

Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (30 June 2014: nil).

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

As at 30 June 2015, 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 2015	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
		4,333,557,960	51.38

Notes:

1 Based on 8,434,178,000 shares of the Company in issue as at 30 June 2015.

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 2015	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 2015	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 2015.

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.

The following table discloses the movements in the Company's share options and the underlying shares during the six months ended 30 June 2015:

	Date of grant	Vesting date	Exercise period	Exercise Price[1] (HKD)	Underlying shares exercisable under the share options: Outstanding at 1 January 2015	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2015
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

	Date of grant	Vesting date	Exercise period	Exercise Price[1] (HKD)	Underlying shares exercisable under the share options: Outstanding at 1 January 2015	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2015
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	173,958,000	–	–	–	(4,230,000)	169,728,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	405,992,000	–	–	–	(9,870,000)	396,122,000
Sub-total					**579,950,000**	**–**	**–**	**–**	**(14,100,000)**	**565,850,000**

	Date of grant	Vesting date	Exercise period	Exercise Price[1] (HKD)	Underlying shares exercisable under the share options: Outstanding at 1 January 2015	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2015
Category 3: Customers										
Customers	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	3,466,000	–	–	–	(534,000)	2,932,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	8,184,000	–	–	–	(1,266,000)	6,918,000
Sub-total					**11,650,000**	**–**	**–**	**–**	**(1,800,000)**	**9,850,000**
Total					**687,600,000**	**–**	**–**	**–**	**(15,900,000)**	**671,700,000**

Note:

1. 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.

Pursuant to the terms of the Share Option Scheme, the shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme ("**Scheme Mandate Limit**") shall not exceed 10% of the total number of shares in issue on the date of approval by shareholders. The existing Scheme Mandate Limit was refreshed on 27 May 2013, entitling the Company to grant further share options under the Share Option Scheme carrying the rights to subscribe for a maximum of 843,417,800 Shares. As at 30 June 2015 and the date of this report, no share options were granted and the remaining 843,417,800 share options of the existing Scheme Mandate Limit have not been utilized, which represents approximately 10.00% of the issued share capital of the Company.

As at 30 June 2015, 671,700,000 share options remained outstanding under the Share Option Scheme, which represents approximately 7.96% of the issued share capital of the Company.

If the Company grants further 843,417,800 share options under the Share Option Scheme carrying the rights to subscribe for a maximum of 843,417,800 Shares, the maximum number of Shares in respect of which share options may be granted together with all outstanding share options already granted and yet to be exercised as 30 June 2015 will amount to an aggregate of 1,515,117,800 shares, representing approximately 17.96% of the issued share capital of the Company at 30 June 2015 and is within the 30% overall limit as required under the Share Option Scheme.

Other Information

Substantial shareholders

As at 30 June 2015, 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 2015	Approximate percentage of shareholding[1]
Long positions			
Chigo Group Holding Limited[2]	Beneficial owner	4,322,234,210	51.25
Central Huijin Investment Ltd.	Held by controlled corporation	884,572,080	10.49
China Construction Bank Corporation	Held by controlled corporation	884,572,080	10.49
Skyworth TV Holdings Limited	Beneficial owner	425,000,000	5.04

Notes:

1 Based on 8,434,178,000 shares of the Company in issue as at 30 June 2015.

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 2015.

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 2015.

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 2015, 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 2015, 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 21 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 5 June 2015 ("**2015 AGM**") due to sickness.

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 nomination committee was unable to attend the 2015 AGM due to sickness. However, he had appointed another member of the nomination committee as his representative to attend the 2015 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 2015 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 2015 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 2015

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

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

Introduction

We have reviewed the 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 42, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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

28 August 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Turnover	*3*	**4,581,274**	5,440,369
Cost of goods sold		**(3,895,936)**	(4,504,648)
Gross profit		**685,338**	935,721
Other income		**33,309**	31,555
Selling and distribution costs			
– equity-settled share based payments		**(866)**	(1,179)
– other selling and distribution costs		**(394,538)**	(459,151)
Administrative expenses			
– equity-settled share based payments		**(3,098)**	(4,147)
– other administrative expenses		**(242,904)**	(239,401)
Research and development costs		**(16,802)**	(15,632)
Other expenses		**(7,007)**	(11,285)
Other gains and losses		**(6,009)**	20,022
Net gain (loss) in fair value changes on foreign currency forward contracts		**51,987**	(31,622)
Finance costs		**(97,120)**	(122,812)
Profit before taxation	*4*	**2,290**	102,069
Taxation	*5*	**(27,477)**	(53,503)
(Loss) profit for the period and total comprehensive (expense) income for the period		**(25,187)**	48,566
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to			
– owners of the Company		**(29,269)**	41,031
– non-controlling interests		**4,082**	7,535
		(25,187)	48,566
(Loss) earnings per share	*7*		
– Basic		**RMB(0.35) cents**	RMB0.49 cents
– Diluted		**RMB(0.35) cents**	RMB0.49 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Notes	30.6.2015 RMB'000 (unaudited)	31.12.2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	**1,527,792**	1,498,581
Land use rights		**213,061**	215,394
Intangible assets		**908**	1,083
Prepaid lease payments		**222,588**	226,624
Deposits made on acquisition of property, plant and equipment		**31,654**	37,726
Deferred tax assets		**12,764**	13,085
Available-for-sale investments		**20,000**	20,000
		2,028,767	2,012,493
Current assets			
Inventories	9	**2,028,340**	1,780,851
Trade and other receivables	10	**5,249,630**	5,792,561
Land use rights		**5,026**	5,378
Prepaid lease payments		**16,870**	16,653
Taxation recoverable		**8,202**	9,021
Derivative financial instruments		**18,913**	2,818
Restricted deposits	11	**114,138**	–
Pledged bank deposits		**892,261**	1,077,745
Bank balances and cash		**791,617**	464,502
		9,124,997	9,149,529
Current liabilities			
Trade and other payables	12	**4,747,687**	4,128,367
Warranty provision		**19,953**	25,641
Taxation payable		**175,613**	156,450
Borrowings related to bills discounted with recourse	13	**1,217,149**	1,574,021
Short-term bank loans	14	**1,705,695**	1,940,861
Current portion of long-term bank loans	14	**18,750**	147,736
Derivative financial instruments		**–**	6,091
Current portion of long-term debenture	15	**150,360**	–
Obligations under finance lease	16	**54,639**	–
		8,089,846	7,979,167
Net current assets		**1,035,151**	1,170,362
Total assets less current liabilities		**3,063,918**	3,182,855

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Notes	30.6.2015 RMB'000 (unaudited)	31.12.2014 RMB'000 (audited)
Non-current liabilities			
Government grants		**36,836**	37,480
Long-term debentures	*15*	**50,086**	207,021
Long-term bank loans	*14*	**–**	6,250
Obligations under finance lease	*16*	**86,731**	–
Derivative financial instruments		**–**	3,877
Deferred tax liabilities		**23,198**	21,937
		196,851	276,565
Net assets		**2,867,067**	2,906,290
Capital and reserves			
Share capital	*17*	**71,906**	71,906
Reserves		**2,757,081**	2,782,386
Equity attributable to owners of the Company		**2,828,987**	2,854,292
Non-controlling interests		**38,080**	51,998
Total equity		**2,867,067**	2,906,290

The condensed consolidated financial information on pages 22 to 42 were approved and authorised for issue by the Board of Directors on 28 August 2015 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 2015

	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 2015	**71,906**	**938,187**	**(26,408)**	**63,535**	**59,998**	**223,570**	**1,523,504**	**2,854,292**	**51,998**	**2,906,290**
(Loss) profit for the period and total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(29,269)**	**(29,269)**	**4,082**	**(25,187)**
Recognition of equity-settled share based payments	**–**	**–**	**–**	**–**	**3,964**	**–**	**–**	**3,964**	**–**	**3,964**
Distribution to non-controlling shareholders *(Note d)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(18,000)**	**(18,000)**
Transfers	**–**	**–**	**–**	**–**	**–**	**17,409**	**(17,409)**	**–**	**–**	**–**
At 30 June 2015 (unaudited)	**71,906**	**938,187**	**(26,408)**	**63,535**	**63,962**	**240,979**	**1,476,826**	**2,828,987**	**38,080**	**2,867,067**
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	3,010,305

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:

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

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

(c) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the PRC 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 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**717,570**	1,169,767
Investing activities		
Placement of pledged bank deposits	**(444,686)**	(415,451)
Purchase of property, plant and equipment	**(94,618)**	(119,760)
Prepaid lease payments paid	**(4,833)**	(65,626)
Deposits paid on acquisition of property, plant and equipment	**(31,654)**	(36,953)
Purchase of available-for-sale investments	**–**	(20,000)
Withdrawal of pledged bank deposits	**630,170**	406,386
Proceeds from disposal of property, plant and equipment	**1,013**	1,088
Change in restricted deposits	**(114,138)**	–
Interest received	**28,337**	24,653
Net cash used in investing activities	**(30,409)**	(225,663)
Financing activities		
Bank loans raised	**2,212,010**	1,800,559
Proceeds from issue of debentures	**–**	50,000
Proceeds from sale and lease back arrangement	**143,990**	–
Repayment of bank loans	**(2,582,412)**	(2,771,873)
Interest paid	**(113,014)**	(127,449)
Distribution to non-controlling shareholders	**(18,000)**	(13,500)
Expenses incurred in connection with the issue of debentures	**–**	(450)
Repayment of obligations under finance leases	**(2,620)**	–
Net cash used in financing activities	**(360,046)**	(1,062,713)
Net increase (decrease) in cash and cash equivalents	**327,115**	(118,609)
Cash and cash equivalents at 1 January	**464,502**	756,508
Cash and cash equivalents at 30 June	**791,617**	637,899
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**791,617**	637,899

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In addition, the following new accounting policies became applicable to the Group during the current interim period.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised on a straight line basis over the lease term.

Sale and leaseback resulting in a finance lease

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not immediately recognised as income by the Group. Instead, it is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

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 For the six months ended		Results For the six months ended	
	30.6.2015	30.6.2014	**30.6.2015**	30.6.2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Mainland China (the "PRC")	**2,082,061**	2,826,820	**382,297**	622,908
Asia (excluding PRC)	**1,596,501**	1,359,288	**179,862**	148,594
Americas	**461,495**	664,328	**77,318**	95,087
Africa	**243,739**	276,062	**17,086**	28,438
Europe	**190,970**	308,872	**27,037**	39,334
Oceania	**6,508**	4,999	**1,738**	1,360
	4,581,274	5,440,369	**685,338**	935,721
Unallocated other income			**33,309**	31,555
Unallocated expenses			**(417,482)**	(468,487)
Staff costs included in selling and distribution costs and administrative expenses			**(228,840)**	(223,745)
Allowance for doubtful debts			**(24,902)**	(18,541)
Net gain (loss) in fair value changes on foreign currency forward contracts			**51,987**	(31,622)
Finance costs			**(97,120)**	(122,812)
Profit before taxation			**2,290**	102,069

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 by each segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Allowance for doubtful debts included in other gains and losses	**24,902**	18,541
Amortisation of intangible assets included in administrative expense	**175**	169
Charitable donations in the PRC	**2,567**	422
Depreciation of property, plant and equipment	**85,481**	67,554
Provision for warranty included in cost of goods sold	**16,724**	15,488
Release of prepaid lease payments	**8,651**	8,090
Write down on inventories	**2,873**	3,802
and after crediting:		
Amortisation of government grants	**644**	644
Government subsidies included in other income *(note a)*	**1,321**	4,005
Interest income	**28,337**	24,653
Reversal of doubtful debts included in other gains and losses	**13,131**	31,390

Notes:

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

5. TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC income tax		
– current period	**(25,894)**	(50,064)
Deferred taxation	**(1,583)**	(3,439)
	(27,477)	(53,503)

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. In addition, the statutory income tax rate is 25% except that certain PRC subsidiary was officially endorsed as High-New Technology Enterprises and eligible to preferential Enterprise Income Tax ("EIT") rate of 15% from year 2014 to 2016.

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 2015 and 30 June 2014 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.

6. 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.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the period is based on the loss for the period attributable to owners of the Company of RMB29,269,000 (2014: profit of RMB41,031,000) and on the weighted average number of 8,434,178,000 (2014: 8,434,178,000) shares in issue during the period.

For the six months ended 30 June 2015, the computation of diluted loss per share does not assume the exercise of outstanding share options of the Company since their exercise would result in a decrease in loss per share for the current period. The computation of diluted earnings per share for the six months ended 30 Jun 2014 did 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 period presented.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred an aggregate amount of RMB99,992,000 (2014: RMB150,935,000) for the acquisitions of property, plant and equipment in the PRC in order to upgrade its manufacturing capabilities. Part of the consideration of RMB37,726,000 (2014: RMB31,175,000) were settled through deposits paid in prior year.

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB1,476,000 (2014: RMB1,215,000) for cash proceeds of RMB1,013,000 (2014: RMB1,088,000), resulting in a loss on disposal of RMB463,000 (2014: RMB127,000).

The carrying value of property, plant and equipment as at 30 June 2015 includes machinery held under sale and finance lease back arrangements of approximately RMB143,991,000 (30 June 2014: Nil).

9. INVENTORIES

	30.6.2015 ***RMB'000*** **(unaudited)**	31.12.2014 *RMB'000* (audited)
Raw materials	**299,937**	355,811
Work in progress	**61,854**	47,815
Finished goods	**1,666,549**	1,377,225
	2,028,340	1,780,851

10. TRADE AND OTHER RECEIVABLES

	30.6.2015 ***RMB'000*** **(unaudited)**	31.12.2014 *RMB'000* (audited)
Trade receivables	**3,059,095**	3,425,207
Bills receivables	**1,938,597**	2,106,058
	4,997,692	5,531,265
Deposits paid to suppliers	**107,293**	165,049
Prepayments	**12,748**	18,273
Advances to staff	**7,693**	4,711
Value-added tax recoverable	**54,286**	37,932
Other receivables	**69,918**	35,331
	5,249,630	5,792,561

10. 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 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:

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 – 30 days	**1,340,123**	831,044
31 – 60 days	**1,001,702**	782,837
61 – 90 days	**906,447**	760,012
91 – 180 days	**1,557,554**	2,731,926
181 – 365 days	**177,681**	407,236
Over 1 year	**14,185**	18,210
	4,997,692	5,531,265

11. RESTRICTED DEPOSITS

The Group's short term restricted deposits represented balances deposited in banks in the PRC, which management believes are of high credit quality and does not expect high credit risks in this aspect. The Group's restrict deposits are with initial terms from 15 to 90 days and are restricted for obtaining a guarantee interest rate return and are denominated in RMB.

As at 30 June 2015, the weighted average effective interest rates on restricted deposits was 3.54% per annum.

The maximum exposure to credit risk at the reporting dates is the carrying amounts of the Group's restricted deposits.

12. TRADE AND OTHER PAYABLES

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**1,014,633**	540,577
Bills payables	**2,928,705**	2,935,873
	3,943,338	3,476,450
Customers' deposits	**345,002**	257,445
Payroll and welfare payables	**82,967**	67,651
Other tax payables	**77,586**	54,712
Accruals	**103,839**	95,652
Other interest bearing payables	**23,400**	46,000
Other payables *(Note)*	**171,555**	130,457
	4,747,687	4,128,367

Note: As at 30 June 2015 and 31 December 2014, the balance of other payables included interest bearing advances of RMB26,000,000 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 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:

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 – 90 days	**2,372,995**	2,155,368
91 – 180 days	**1,516,702**	1,246,853
181 – 365 days	**38,094**	69,509
Over 1 to 2 years	**15,547**	4,720
	3,943,338	3,476,450

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 3.50% to 7.16% (2014: 4.13% to 7.08%) per annum at the end of reporting period.

14. BANK LOANS

	30.6.2015 ***RMB'000*** **(unaudited)**	31.12.2014 *RMB'000* (audited)
Bank loans		
– unsecured	**1,333,539**	1,561,168
– secured by bank deposits	**372,156**	429,829
– guaranteed by Mr. Li Xinghao	**18,750**	89,250
– guaranteed by top management of a group entity and secured by trade receivables of the Group	**–**	14,600
	1,724,445	2,094,847
Less: Current portion of long-term bank loans	**18,750**	147,736
Less: Long-term bank loans	**–**	6,250
Short-term bank loans	**1,705,695**	1,940,861

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 RMB18,750,000 (2014: RMB89,250,000).

14. BANK LOANS *(Continued)*

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Carrying amount repayable:		
Within one year	**1,724,445**	2,088,597
More than one year, but not exceeding two years	**–**	6,250
	1,724,445	2,094,847
Less: Amounts due within one year shown under current liabilities	**(1,724,445)**	(2,088,597)
Amount due after one year	**–**	6,250

Also, at the end of the reporting period, the Group has unutilised available credit facilities amounting to RMB3,659,445,000 (2014: RMB4,942,616,000).

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

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	equivalent	equivalent
	(unaudited)	(audited)
United States Dollars ("USD")	**1,044,344**	642,397

Average interest rates charged to the Group were as follows:

	30.6.2015	31.12.2014
Bank loans	**5.46%**	6.30%

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

15. 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 transferrable 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 transferrable 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 period is set out below:

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Carrying value at the beginning of the period/year	**207,021**	154,600
Repayment of interests thereon	**(13,750)**	(9,750)
Proceeds from issue of debentures	**–**	50,000
Transaction costs	**300**	(363)
Net proceeds	**193,571**	194,487
Interest expenses charged	**6,875**	12,534
Carrying value at the end of the period/year	**200,446**	207,021
Carrying amount repayable within one year	**150,360**	–
Carrying amount repayable more than one year, but not exceeding two years	**50,086**	207,021
	200,446	207,021

16. OBLIGATIONS UNDER FINANCE LEASE

	30.6.2015 *RMB'000* (unaudited)	31.12.2014 *RMB'000* (audited)
Current liabilities	54,639	–
Non-current liabilities	86,731	–
	141,370	–

During the six months ended 30 June 2015, the Group entered into a sale and lease back agreement with a leasing company in the PRC. Under the arrangement, the Group sold certain machineries to the leasing company and concurrently leased the assets back for a term of 36 months with monthly rent repayments. At the end of the lease term, the Group has the option to purchase these assets at nominal value. As such, the sale and lease back arrangement resulted in a finance lease.

As at 30 June 2015, the finance lease has an outstanding obligation of RMB141,370,000. The average effective interest rate of the finance lease is 7.1% per annum. The Group's obligations under finance lease are secured by a corporate guarantee provided by the Company and a wholly-owned subsidiary.

	Minimum lease payments		Present value of minimum lease payments	
	30.06.2015 *RMB'000* (unaudited)	31.12.2014 *RMB'000* (audited)	30.06.2015 *RMB'000* (unaudited)	31.12.2014 *RMB'000* (audited)
Amounts payable under finance lease				
Within one year	63,172	–	54,639	–
In more than one year but not more than two years	63,670	–	59,286	–
In more than two years but not more than three years	27,973	–	27,445	–
	154,815	–	141,370	–
Less: future finance charges	(13,445)	–	–	–
Present value of lease obligations	141,370	–		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(54,639)	–
Amount due for settlement after 12 months			86,731	–

17. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount	Number of shares	Amount
	'000	*HKD'000*	*'000*	*HKD'000*
Ordinary shares of HKD0.01 each				
At 1 January 2014, 31 December 2014 and 30 June 2015	50,000,000	500,000	8,434,178	84,341

	RMB'000
Shown in the condensed consolidated statement of financial position at 30 June 2015 and 31 December 2014	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 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 671,700,000 (2014: 687,600,000), representing 8.0% (2014: 8.2%) 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.

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 1.1.2014	Lapsed during the year	Outstanding at 31.12.2014	Lapsed during the period	Outstanding at 30.6.2015
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	178,536,000	(4,578,000)	173,958,000	(4,230,000)	169,728,000
		23.9.2011 – 22.9.2016	23.9.2016 – 22.9.2018	0.45	416,684,000	(10,692,000)	405,992,000	(9,870,000)	396,122,000
Customers#	23.9.2011	23.9.2011 – 22.9.2013	23.9.2013 – 22.9.2018	0.45	3,466,000	–	3,466,000	(534,000)	2,932,000
		23.9.2011 – 22.9.2016	23.9.2016 – 22.9.2018	0.45	8,184,000	–	8,184,000	(1,266,000)	6,918,000
					702,870,000	(15,270,000)	687,600,000	(15,900,000)	671,700,000
Exercisable at end of the period							206,224,000		201,460,000

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 RMB3,964,000 and RMB5,326,000 for the period ended 30 June 2015 and 30 June 2014, respectively, in relation to share options granted by the Company to the Group's directors and employees.

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 2015	Fair value as at 31 December 2014	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 – RMB6,986,000	Current assets – RMB324,000	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 – RMB1,047,000	Level 2	
	Current assets – RMB10,906,000	Current assets – RMB2,494,000	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. **Black-Scholes Model and Binomial Model** Black-Scholes Model is used to calculate the value of a European Put option while Binomial Model is used to calculate the value of an American Put option. The key determinants of both models are predetermined forward exchange rate, spot exchange rates and market risk free interest rate.
		Current liabilities – RMB5,044,000	Level 2	
	Current assets – RMB1,021,000	Non-current liabilities – RMB3,877,000	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.

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

	30.6.2015 ***RMB'000*** **(unaudited)**	31.12.2014 *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	**87,830**	77,082

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The disclosure set out in the table below include financial assets and financial liabilities that are offset in the Group's condensed consolidated statement of financial position.

The Group currently has a legally enforceable right to set off the deposit under the finance lease and the obligations under finance lease payable to the counter party that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

RMB'000
As at 30 June 2015

	Gross amounts of recognised financial assets	**Gross amounts of recognised financial liabilities set off in the statement of financial position**	**Net amounts of financial assets presented in the statement of financial position**
Deposit under finance lease	30,855	(30,855)	–

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS *(Continued)*

RMB'000

As at 30 June 2015

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Obligations under finance lease	(172,225)	30,855	(141,370)

22. 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 RMB327,533 (2014: RMB390,550) 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 RMB1,428,881 (2014: RMB1,416,756).