CHIGO

CHIGO HOLDING LIMITED
志高控股有限公司

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

2016
INTERIM
REPORT

CHIGO.
LEADER OF HIGH-END AIR CONDITIONING

Contents

Financial Highlights

Revenue increased by **6.9%** to

RMB 4,896.9 million

Net margin improved by **1.2** percentage points to

0.6%

Gross profit increased by **13.6%** to

RMB 778.5 million

Total assets decreased by **0.6%** (as compared to 31 December 2015) to

RMB 10,161.5 million

Gross margin increased from **15.0%** to

15.9%

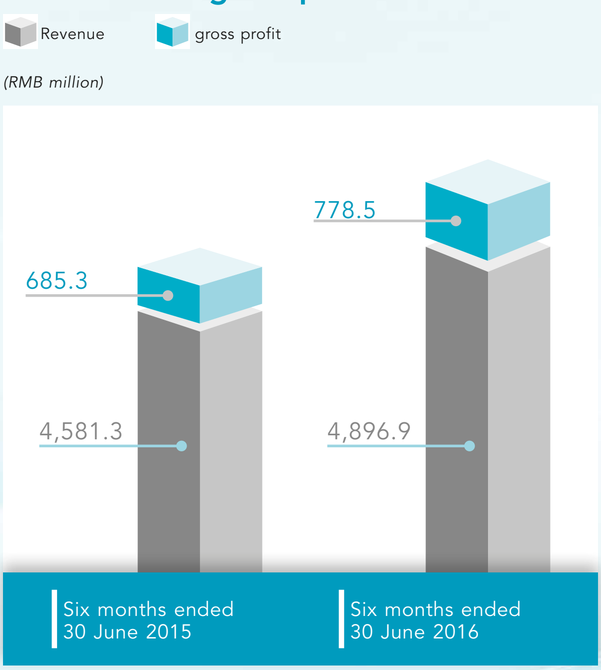
Net assets increased by **0.7%** (as compared to 31 December 2015) to

RMB 2,246.3 million

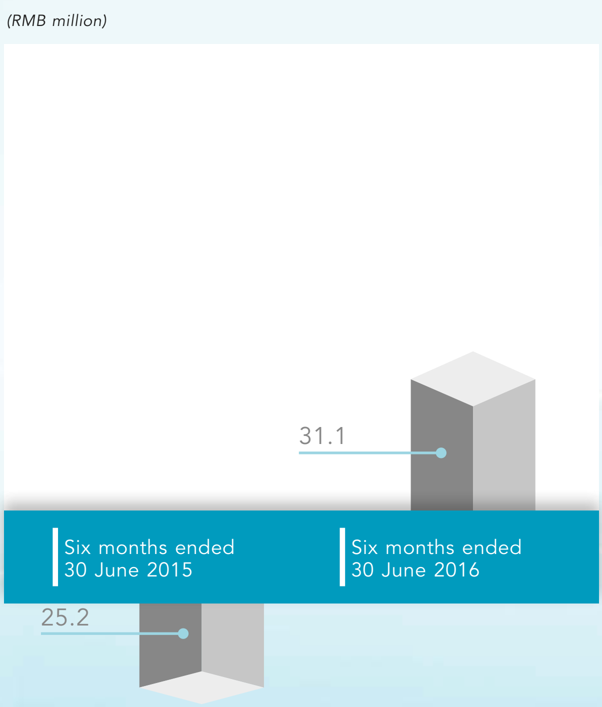
Improvement in net profit for the period by **223.4%** to

RMB 31.1 million

Revenue and gross profit



Profit (Loss) for the period



Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Li Xinghao *(Chairman and Chief Executive Officer)*
Ms. Li Xiuhui (appointed on 13 July 2016)
Mr. Cheng Jian (appointed on 13 July 2016)
Ms. Huang Guijian (appointed on 2 September 2016)
Dr. Zheng Zuyi (resigned on 13 July 2016)
Dr. Ding Xiaojiang (resigned on 2 September 2016)
Mr. Huang Xingke (resigned on 13 July 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Xiaoming
Mr. Fu Xiaosi
Mr. Wang Manping (appointed on 13 July 2016)
Mr. Wan Junchu (resigned on 13 July 2016)

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 01, 9th 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 2016:	
No. of shares issued:	8,434,178,000 shares
Market capitalisation:	HKD725.3 million

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

In 2015, the air-conditioning industry faced tremendous pressure in terms of operation and due to business downturn. Not only did the market demand grow sluggishly, but the high inventories also led to fierce price competition among industry peers.

Following the downturn last year and entering into 2016, despite the macro-economic climate still not being optimistic, the air-conditioning industry is gradually showing signs of rebound and market conditions have started to improve.

In the first half of 2016, the domestic air-conditioning market was still challenging. The Group adjusted its strategy by strengthening its cooperation with traditional distributors, chain stores and e-commerce operators to realise the development depth in distribution channels and to share value with customers. As such, the domestic sales and the domestic market share of the Group improved remarkably. Furthermore, the weather of China was extensively hot in the recent months, leading to a surge in demand for air-conditioning products, which also had a positive effect on the sales of domestic air-conditioning products and helped to digest inventories. As a result, during the six months ended 30 June 2016, domestic sales and revenue of the Group's major air-conditioning products recorded an increase as compared to that of the same period of last year.

Looking at the overseas markets, the economy and the finance sector of many developing countries were affected by the slow growth in the global economy and the continuous drop in commodity prices, such as the price of crude oil. In addition, these countries also encountered unfavorable factors including extreme shortage of foreign currency, continuous depreciation of their national currencies, as well as a slump in international trade. Among these emerging markets, the economies of Africa and Latin America experienced the most difficult situation after the global financial crisis. Under such environment, Chinese export of residential air-conditioning products to Latin America was inevitably affected – both the export sales volume and revenue showed a downward trend. On the contrary, following destocking in 2015, coupled with favorable weather conditions, there was a rapid growth in the European market. A significant growth in the sales of air-conditioning products was recorded in the first half of 2016 as compared with the same period of last year.

During the six months ended 30 June 2016, the Group adjusted its overseas sales marketing strategy. Adjustments to regional sales structure were made by focusing on the developing country markets and by putting more development efforts into the developed markets, such as Europe and America. The Group also increased its investment in product development and strengthened price control during the peak season. On the other hand, the Group continued to increase its efforts in promoting and strengthening its own brand, "CHIGO", and in product diversification. As a result of the above efforts, the Group achieved growth in the Americas and a remarkable increase in its sales in Europe.

After a year of market slowdown, Chinese commercial air-conditioning industry returned to the growth track in the first half of 2016 and the brand competition in the Chinese commercial air-conditioning industry remained relatively stable. During the reporting period, the Group showed a slight drop in the sales volume and revenue of its commercial air-conditioning products. However, with a proper pricing strategy, the average selling price of commercial air-conditioning products was able to further increase.

Operation Review

Results of operations

	Six months ended 30 June					
	2016		2015		Change	
	RMB million	***% of Revenue***	*RMB million*	*% of Revenue*	*RMB million*	*%*
Geographic region						
PRC sales	**2,278.3**	**46.5**	2,082.1	45.4	+196.2	+9.4
Asia (excluding PRC)	**1,561.9**	**31.9**	1,596.5	34.9	-34.6	-2.2
Americas	**503.0**	**10.3**	461.5	10.1	+41.5	+9.0
Africa	**244.5**	**5.0**	243.7	5.3	+0.8	+0.3
Europe	**303.5**	**6.2**	191.0	4.2	+112.5	+58.9
Oceania	**5.7**	**0.1**	6.5	0.1	-0.8	-12.3
Overseas sales	**2,618.6**	**53.5**	2,499.2	54.6	+119.4	+4.8
Total revenue	**4,896.9**	**100.0**	4,581.3	100.0	+315.6	+6.9

PRC Sales

Following the macroeconomic downturn and keen competition in 2015, the market conditions and demand for air-conditioning products have improved. During the reporting period, PRC sales of the Group rose year-on-year and contributed 46.5% (six months ended 30 June 2015: 45.4%) to its revenue during the six months ended 30 June 2016. As the sales of major air-conditioning products and parts and components increased, the Group recorded PRC sales of RMB2,278.3 million (six months ended 30 June 2015: RMB2,082.1 million), representing an increase of RMB196.2 million or 9.4%.

Overseas Sales

For the six months ended 30 June 2016, the Group's overseas sales increased by RMB119.4 million or 4.8% to RMB2,618.6 million (six months ended 30 June 2015: RMB2,499.2 million) and accounted for 53.5% of the Group's total revenue. Except for the Asia (excluding PRC) and Oceania markets where the Group recorded sales decline, all of the other overseas markets of the Group recorded an increase in sales in the first half of 2016, among which, sales to Europe grew by 58.9% during the period.

Asia (excluding PRC) and Americas remained the major sources of overseas revenue of the Group. These two markets accounted for 31.9% and 10.3% respectively (six months ended 30 June 2015: 34.9% and 10.1%) of the Group's revenue during the period under review.

Management Discussion and Analysis

Financial Review

Revenue

During the six months ended 30 June 2016, the Group recorded a total revenue of approximately RMB4,896.9 million (six months ended 30 June 2015: approximately RMB4,581.3 million), representing an increase of RMB315.6 million, or 6.9% as compared to the corresponding period in 2015. The increase was primarily due to the increase in sales volume of major air-conditioning products as a result of an improvement in the business performance of the Group.

Cost of goods sold

Due to the increase in sales volume of major air-conditioning products of the Group during the first half of 2016, cost of goods sold during the period under review rose to RMB4,118.5 million (six months ended 30 June 2015: RMB3,895.9 million), representing an increase of RMB222.6 million or 5.7% as compared to that of the first half of 2015.

Gross profit

During the six months ended 30 June 2016, gross profit of the Group increased by RMB93.2 million or 13.6% to RMB778.5 million (six months ended 30 June 2015: RMB685.3 million) due to the increase in sales volume of its major air-conditioning products. Since the portion of domestic sales had increased, the Group's gross margin improved to 15.9% in the first half of 2016 as compared to 15.0% for the same period in 2015.

After the market downturn in 2015, the market conditions and demand for air-conditioning products have improved. As the Group worked with its major sales channels and strengthened end users promotion, its domestic sales performance improved gradually during the reporting period. The gross margin of the Group's PRC sales rose to 19.9% (six months ended 30 June 2015: 18.4%) for the first half of 2016. Despite the mixed performance of various overseas markets, the sales volume and profit margins of the products sold in the major overseas markets continued to improve, and hence the gross margin of overseas sales increased to 12.4% (six months ended 30 June 2015: 12.1%) during the period under review.

Other income

Other income, including mainly the interest income and other operating income, was RMB12.9 million (six months ended 30 June 2015: RMB33.3 million), representing a decrease of RMB20.4 million or 61.2%.

Selling and distribution costs

The Group's selling and distribution costs remained relatively stable and declined just RMB0.3 million or 0.1% to RMB394.2 million (six months ended 30 June 2015: RMB394.5 million) for the six months ended 30 June 2016. During the period under review, the decrease in advertising and promotional expenses was offset partly by the increase in transportation cost.

Administrative expenses

Administrative expenses of the Group decreased slightly by RMB0.7 million or 0.3% to RMB242.2 million (six months ended 30 June 2015: RMB242.9 million) for the six months ended 30 June 2016. The decrease in administrative expenses was primarily due to the decreases in (i) salaries, benefits and social insurance charges relating to administrative staff; and (ii) inspection and appraisal fees during the period under review.

Equity-settled share based payments

The Group recorded equity-settled share based payments of RMB4.7 million (six months ended 30 June 2015: RMB4.0 million) for the six months ended 30 June 2016, representing an increase of RMB0.7 million or 17.5%. 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

The Group had increased investment in research to develop new products. As such, research and development costs rose to RMB32.8 million (six months ended 30 June 2015: RMB16.8 million) by 95.2% or RMB16.0 million for the six months ended 30 June 2016.

Other expenses

Other expenses decreased by RMB3.5 million or 50.0% during the first half of 2016 and amounted to RMB3.5 million (six months ended 30 June 2015: RMB7.0 million). The expenses was mainly non-operating expenses during the period under review.

Other gains and losses

The Group recorded other gains of RMB11.7 million (six months ended 30 June 2015: other losses of RMB6.0 million) in the first half of 2016. The other gains was mainly the gains in exchange difference.

Net gain 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 during the first half of 2016, those outstanding foreign currency forward contracts incurred net gains in fair value changes for the six months ended 30 June 2016. As a result, the Group recorded a net gain of approximately RMB5.3 million (six months ended 30 June 2015: RMB52.0 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 leases arrangement, discounting part of its bills receivable from customers to financial institutes and issuing corporate debentures. Since the average interest rate on borrowings was lower for the first half of 2016, the finance costs of the Group decreased by RMB21.0 million or 21.6% to RMB76.1 million (six months ended 30 June 2015: RMB97.1 million) for the six months ended 30 June 2016.

Taxation

Due to the decreases in income tax paid by the group companies, the Group's tax charge for the six months ended 30 June 2016 decreased by RMB3.7 million or 13.5% to RMB23.8 million (six months ended 30 June 2015: RMB27.5 million).

Management Discussion and Analysis

Profit for the period and total comprehensive income for the period

As a result of the foregoing, the Group recorded a profit of RMB31.1 million for the six months ended 30 June 2016 (six months ended 30 June 2015: loss of RMB25.2 million), representing an improvement of RMB56.3 million or 223.4% in net profit as compared to the corresponding period in 2015. Since the Group had achieved a turnaround and recorded a profit in the reporting period, its net margin improved to 0.6% (six months ended 30 June 2015: net loss of 0.6%) for the six months ended 30 June 2016 accordingly.

Financial position

	As at 30 June 2016	As at 31 December 2015	Change	Change
	RMB million	*RMB million*	*RMB million*	%
Non-current assets	**1,913.5**	1,971.7	-58.2	-3.0
Current assets	**8,247.9**	8,250.1	-2.2	-0.0
Current liabilities	**7,775.2**	7,787.8	-12.6	-0.2
Non-current liabilities	**139.9**	203.4	-63.5	-31.2
Net assets	**2,246.3**	2,230.6	+15.7	+0.7

As at 30 June 2016, the Group's total assets decreased by RMB60.4 million or 0.6% to RMB10,161.4 million (31 December 2015: RMB10,221.8 million). The decrease was mainly due to the decrease in property, plant and equipment (decreased by RMB44.7 million) and certain current assets such as trade and other receivables (decreased by RMB235.9 million) and pledged bank deposits (decreased by RMB137.8 million), which decrease was partly offset by the increases in other current assets such as inventories (increased by RMB149.1 million) and bank balances and cash (increased by RMB197.3 million). Total liabilities of the Group as at 30 June 2016 amounted to RMB7,915.1 million (31 December 2015: RMB7,991.2 million) and decreased by RMB76.1 million or 1.0%. The major liabilities that decreased in the period were borrowings related to bills discounted with recourse and long-term debentures (decreased by RMB740.8 million and RMB157.4 million respectively), which decrease was offset by the increases in trade and other payables and short-term bank loans (increased by RMB423.4 million and RMB410.8 million respectively).

As the Group recorded a net profit for the period, the Group's net assets increased by 0.7% or RMB15.7 million to RMB2,246.3 million as at 30 June 2016 (31 December 2015: RMB2,230.6 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 2016, the Group's current assets amounted to RMB8,247.9 million (31 December 2015: RMB8,250.1 million) and current liabilities amounted to RMB7,775.2 million (31 December 2015: RMB7,787.8 million). The Group's working capital increased by RMB10.3 million or 2.2% from RMB462.4 million as at the end of 2015 to RMB472.7 million as at 30 June 2016. As the Group's working capital remained relatively stable during the first half of 2016, the current ratio remained at 1.1 times (31 December 2015: 1.1 times) as at 30 June 2016.

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 2016, the Group had obtained funding for its business operation by obtaining bank loans, issuing debentures and funding from finance leases arrangement. As at 30 June 2016, the balances of short-term and long-term bank loans utilised by the Group were RMB1,813.0 million and RMB9.7 million respectively (31 December 2015: RMB1,402.2 million and RMB6.3 million respectively). Short-term loans increased by RMB410.8 million or 29.3% and the long-term borrowings rose by RMB3.4 million. 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 RMB50.2 million (31 December 2015: RMB207.6 million) outstanding as at the end of the reporting period.

For the six months ended 30 June 2016, the Group also enhanced its working capital position and obtained financing by entering into finance leases arrangements. As at the end of June 2016, the Group had obligations under finance leases of approximately RMB167.1 million (31 December 2015: RMB162.6 million).

The gearing ratio (calculated as interest-bearing loans and other borrowings to total assets) of the Group decreased to 24.0% as at 30 June 2016 (31 December 2015: 28.5%) because the Group's borrowings related to bills discounted with recourse decreased substantially during the reporting period.

During the first half of 2016, despite the increase in its total borrowings, the Group had discounted less bills receivables for working capital. As such, the Group reduced its finance cost by 21.6% or RMB21.0 million for the first six months comparing to the same period in 2015 because the average interest rate on borrowings was lower. However, the ability of the Group to service finance costs, as indicated by interest cover, improved during the reporting period. Since the Group had recorded a profit during the period under review, interest cover of the Group increased to 1.8 times for the six months ended 30 June 2016 as compared to 1.0 times for the same period in 2015.

During the first half of 2016, the Group had 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 RMB8.9 million (31 December 2015: RMB33.1 million) as at the end of the reporting period.

Management Discussion and Analysis

As at 30 June 2016, the Company had issued share capital of approximately RMB71.9 million and 8,434,178,000 shares in issue and all of the issued shares were ordinary shares. Since the Group had recorded a net profit for the period, the shareholders' equity increased to RMB2,246.3 million as at 30 June 2016 (31 December 2015: RMB2,230.6 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 2016.

Cash flows

	Six months ended 30 June	
	2016	2015
	RMB million	*RMB million*
Net cash (used in) from operating activities	**(68.7)**	717.6
Net cash from (used in) investing activities	**71.7**	(30.4)
Net cash from (used in) financing activities	**194.2**	(360.0)
Net increase in cash and cash equivalents	**197.2**	327.2
Cash and cash equivalents at 30 June	**615.5**	791.6

For the six months ended 30 June 2016, the Group used cash amounting to RMB68.7 million in its operating activities. During the period, the Group financed its working capital by internally generated cash flow, bank borrowings, debentures and finance leases.

During the period under review, the Group generated net cash of approximately RMB137.7 million by reducing the amount of pledged bank deposits. The Group continued to invest in fixed assets and applied RMB1.8 million and RMB49.5 million (30 June 2015: RMB94.6 million and RMB31.7 million respectively) for purchase and deposits paid on acquisition of property, plant and equipment respectively for its future business expansion and development. As such, the Group generated net cash of approximately RMB71.7 million from its investing activities.

During the first half of 2016, the Group increased its borrowings and obtained bank loans by a net amount of RMB414.3 million. Part of the funding was used to repay debentures amounting to RMB150 million and interest on borrowings. As such, the Group generated net cash of approximately RMB194.2 million from its financing activities.

As a result of the foregoing, cash balances of the Group increased by RMB197.2 million during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB327.2 million) and the bank balances and cash increased to RMB615.5 million as at 30 June 2016 (31 December 2015: RMB418.2 million).

Material acquisitions and disposals, significant investments

During the six months ended 30 June 2016, 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 2016.

Charge on assets

As at 30 June 2016, certain bank deposits of the Group in an aggregate carrying amount of approximately RMB759.1 million (31 December 2015: approximately RMB896.9 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 2016, approximately 53.5% 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. At the end of the reporting period, there were certain foreign currency forward contracts entered into by the Group in 2015 to hedge against foreign exchange risk. The exchange rate of Renminbi against the US dollar was relatively stable in the first half of 2016, 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 2016.

Employees and Remuneration

As at 30 June 2016, the Group employed 13,223 employees (30 June 2015: 13,765 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

The business environment of domestic air-conditioning market has started to improve since the first half of 2016. There was scorching hot weather in Eastern and Central China starting from July 2016, which is expected to continue and extend to other areas in China. Market demand for air-conditioning products is expected to be high during the peak season. The management is confident that the business development of the Group in 2016 would benefit from the favourable market conditions.

The Group collaborated with its customers to implement terminal promotional activities since the first half of 2016. As a result, inventories were released and a good foundation was laid to boost the sales in the second half of 2016. The Group will continue its strategy of terminal sales, reasonable inventory control with an aim to increasing its market share and operation scale in the coming seasons.

Starting from the second half of 2016, export sales will enter into the air-conditioning off-season and the proportion of export sales is expected to reduce. However, based on the current market situation, market volatility is not expected in the second half of 2016. The Group is confident that its overseas sales in the second half of 2016 would be able to meet the target of slight increase as compared to that of the same period last year.

As at 30 June 2016, 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 2016 (six months ended 30 June 2015: nil).

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

As at 30 June 2016, 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 2016	Approximate percentage of shareholding[1]
Mr. Li Xinghao[2]	Held by controlled corporation	4,322,234,210	51.25
Dr. Zheng Zuyi[3]	Beneficial owner	4,632,000	0.05
Dr. Ding Xiaojiang[4]	Beneficial owner	6,530,750	0.08
Mr. Huang Xingke[3]	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 2016.

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.

3 These directors resigned on 13 July 2016.

4 This director resigned on 2 September 2016.

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 2016	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 2016	Number of underlying shares
Mr. Li Xinghao	Beneficial owner	8,000,000	8,000,000
Dr. Zheng Zuyi[1]	Beneficial owner	50,000,000	50,000,000
Dr. Ding Xiaojiang[2]	Beneficial owner	10,000,000	10,000,000
Mr. Huang Xingke[1]	Beneficial owner	25,000,000	25,000,000
Mr. Wan Junchu[1]	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

Notes:

1 These directors resigned on 13 July 2016.

2 This director resigned on 2 September 2016.

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 2016.

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 2016:

					Underlying shares exercisable under the share options					
	Date of grant	Vesting date	Exercise period	Exercise Price[1] (HKD)	Outstanding at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2016
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 2016	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2016
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	163,578,000	–	–	–	(2,880,000)	160,698,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	381,772,000	–	–	–	(6,720,000)	375,052,000
Sub-total					**545,350,000**	**–**	**–**	**–**	**(9,600,000)**	**535,750,000**

	Date of grant	Vesting date	Exercise period	Exercise Price[1] (HKD)	Underlying shares exercisable under the share options: Outstanding at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2016
Category 3: Customers										
Customers	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	2,932,000	–	–	–	–	2,932,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	6,918,000	–	–	–	–	6,918,000
Sub-total					**9,850,000**	**–**	**–**	**–**	**–**	**9,850,000**
Total					**651,200,000**	**–**	**–**	**–**	**(9,600,000)**	**641,600,000**

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 2016 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 2016, 641,600,000 share options remained outstanding under the Share Option Scheme, which represents approximately 7.61% 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 2016 will amount to an aggregate of 1,485,017,800 shares, representing approximately 17.61% of the issued share capital of the Company at 30 June 2016 and is within the 30% overall limit as required under the Share Option Scheme.

Other Information

Substantial shareholders

As at 30 June 2016, 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 2016	Approximate percentage of shareholding[1]
Long positions			
Chigo Group Holding Limited[2]	Beneficial owner	4,322,234,210	51.25
Skyworth TV Holdings Limited	Beneficial owner	425,000,000	5.04

Notes:

1 Based on 8,434,178,000 shares of the Company in issue as at 30 June 2016.

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 2016.

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 2016.

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 2016, 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 2016, 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 22 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 8 June 2016 ("**2016 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 2016 AGM as he had other business engagements. However, he had appointed another member of the remuneration committee as his representative to attend the 2016 AGM.

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 2016 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. Wang Manping. Mr. Fu Xiaosi is the chairman of the Audit Committee.

The Company's interim results for the six months ended 30 June 2016 have been reviewed by the Audit Committee with the management of the Company.

By Order of the Board
Chigo Holding Limited
Li Xinghao
Chairman

Hong Kong, 29 August 2016

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 2016 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 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

29 August 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June 2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue	3	**4,896,942**	4,581,274
Cost of goods sold		**(4,118,469)**	(3,895,936)
Gross profit		**778,473**	685,338
Other income		**12,923**	33,309
Selling and distribution costs			
– equity-settled share based payments		**(1,008)**	(866)
– other selling and distribution costs		**(394,193)**	(394,538)
Administrative expenses			
– equity-settled share based payments		**(3,737)**	(3,098)
– other administrative expenses		**(242,173)**	(242,904)
Research and development costs		**(32,798)**	(16,802)
Other expenses		**(3,520)**	(7,007)
Other gains and losses		**11,695**	(6,009)
Net gain in fair value changes on foreign currency forward contracts		**5,281**	51,987
Finance costs		**(76,100)**	(97,120)
Profit before taxation	4	**54,843**	2,290
Taxation	5	**(23,751)**	(27,477)
Profit (loss) for the period and total comprehensive income (expense) for the period		**31,092**	(25,187)
Profit (loss) for the period and total comprehensive income (expense) for the period attributable to			
– owners of the Company		**30,239**	(29,269)
– non-controlling interests		**853**	4,082
		31,092	(25,187)
Earnings (loss) per share	7		
– Basic and diluted		**RMB0.36 cents**	RMB(0.35) cents

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	NOTES	**30.6.2016** ***RMB'000*** **(unaudited)**	31.12.2015 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment	*8*	**1,424,255**	1,469,012
Land use rights		**207,329**	210,016
Intangible assets		**558**	733
Prepaid lease payments		**207,825**	213,598
Deposits made on acquisition of property, plant and equipment		**49,464**	51,551
Available-for-sale investments		**20,000**	20,000
Deferred tax assets		**4,099**	6,756
		1,913,530	1,971,666
Current assets			
Inventories	*9*	**1,984,405**	1,835,328
Trade and other receivables	*10*	**4,747,964**	4,983,817
Land use rights		**5,378**	5,378
Prepaid lease payments		**16,781**	16,700
Taxation recoverable		**8,792**	8,792
Derivative financial instruments		**30**	–
Short-term investments		**30,000**	40,000
Restricted deposits	*11*	**80,000**	45,000
Pledged bank deposits		**759,113**	896,853
Bank balances and cash		**615,482**	418,197
		8,247,945	8,250,065
Current liabilities			
Trade and other payables	*12*	**5,232,617**	4,809,187
Warranty provision		**11,315**	17,078
Taxation payable		**162,977**	155,518
Borrowings related to bills discounted with recourse	*13*	**398,632**	1,139,440
Short-term bank loans	*14*	**1,813,017**	1,402,183
Current portion of long-term bank loans	*14*	**–**	6,250
Derivative financial instruments		**8,956**	23,723
Current portion of long-term debentures	*15*	**50,196**	155,500
Obligations under finance leases	*16*	**97,526**	78,822
		7,775,236	7,787,701
Net current assets		**472,709**	462,364
Total assets less current liabilities		**2,386,239**	2,434,030
Non-current liabilities			
Government grants		**35,548**	36,192
Long-term debentures	*15*	**–**	52,121
Long-term bank loans	*14*	**9,690**	–
Obligations under finance leases	*16*	**69,581**	83,753
Derivative financial instruments		**–**	9,405
Deferred tax liabilities		**25,060**	21,937
		139,879	203,408
Net assets		**2,246,360**	2,230,622

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	NOTE	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
Capital and reserves			
Share capital	17	**71,906**	71,906
Reserves		**2,134,312**	2,099,327
Equity attributable to owners of the Company		**2,206,218**	2,171,233
Non-controlling interests		**40,142**	59,389
Total equity		**2,246,360**	2,230,622

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	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 2016	**71,906**	**938,187**	**(26,408)**	**63,535**	**67,412**	**236,308**	**820,293**	**2,171,233**	**59,389**	**2,230,622**
Profit for the period and total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**30,239**	**30,239**	**853**	**31,092**
Recognition of equity-settled share based payments	**-**	**-**	**-**	**-**	**4,746**	**-**	**-**	**4,746**	**-**	**4,746**
Distribution to non-controlling interests *(Note d)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(22,500)**	**(22,500)**
Capital contribution from non-controlling interests of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,400**	**2,400**
Transfers	**-**	**-**	**-**	**-**	**-**	**17,337**	**(17,337)**	**-**	**-**	**-**
At 30 June 2016 (unaudited)	**71,906**	**938,187**	**(26,408)**	**63,535**	**72,158**	**253,645**	**833,195**	**2,206,218**	**40,142**	**2,246,360**
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 income (expense) for the period	-	-	-	-	-	-	(29,269)	(29,269)	4,082	(25,187)
Recognition of equity Income-settled share based payments	-	-	-	-	3,964	-	-	3,964	-	3,964
Distribution to non-controlling interests *(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

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 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(68,694)**	717,570
Investing activities		
Placement of pledged bank deposits	**(779,345)**	(444,686)
Purchase of property, plant and equipment	**(1,763)**	(94,618)
Prepaid lease payments paid	**(2,724)**	(4,833)
Deposits paid on acquisition of property, plant and equipment	**(49,464)**	(31,654)
Withdrawal of pledged bank deposits	**917,085**	630,170
Proceeds from disposal of property, plant and equipment	**3,626**	1,013
Purchase of short-term investments	**(30,000)**	–
Withdrawal of short-term investment	**40,000**	–
Placement of restricted deposits	**(35,000)**	(114,138)
Interest received	**9,334**	28,337
Net cash from (used in) investing activities	**71,749**	(30,409)
Financing activities		
Bank loans raised	**1,722,707**	2,212,010
Proceeds from sale and lease back arrangement	**45,499**	143,990
Repayment of bank loans	**(1,308,433)**	(2,582,412)
Repayment of debentures	**(150,000)**	–
Interest paid	**(76,976)**	(113,014)
Capital injection from non-controlling interests of a subsidiary	**2,400**	–
Distribution to non-controlling interests	**–**	(18,000)
Repayment of obligations under finance leases	**(40,967)**	(2,620)
Net cash from (used in) financing activities	**194,230**	(360,046)
Net increase in cash and cash equivalents	**197,285**	327,115
Cash and cash equivalents at 1 January	**418,197**	464,502
Cash and cash equivalents at 30 June	**615,482**	791,617
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**615,482**	791,617

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS	Annual improvements to HKFRSs 2012 – 2014 cycle

The application of these amendments to the HKFRSs in the current interim period has no material impact on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Segment information has been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), the chief executive officer ("CEO"), for the purpose of allocating resources to segments and assessing their performance. The CODM reviews the revenue and results 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:

	Revenue		**Results**	
	For the six months ended		**For the six months ended**	
	30.6.2016	30.6.2015	**30.6.2016**	30.6.2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Mainland China (the "PRC")	**2,278,373**	2,082,061	**454,262**	382,297
Asia (excluding PRC)	**1,561,879**	1,596,501	**186,673**	179,862
Americas	**503,035**	461,495	**85,785**	77,318
Africa	**244,509**	243,739	**16,866**	17,086
Europe	**303,492**	190,970	**33,783**	27,037
Oceania	**5,654**	6,508	**1,104**	1,738
	4,896,942	4,581,274	**778,473**	685,338
Unallocated other income			**12,923**	33,309
Unallocated expenses			**(402,764)**	(417,482)
Staff costs included in selling and distribution costs and administrative expenses			**(222,842)**	(228,840)
Allowance for doubtful debts			**(40,128)**	(24,902)
Net gain in fair value changes on foreign currency forward contracts			**5,281**	51,987
Finance costs			**(76,100)**	(97,120)
Profit before taxation			**54,843**	2,290

Revenue 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	
	2016	2015
	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	**40,128**	24,902
Amortisation of intangible assets included in administrative expenses	**175**	175
Charitable donations in the PRC	**122**	2,567
Depreciation of property, plant and equipment	**96,099**	85,481
Provision for warranty included in cost of goods sold	**20,532**	16,724
Release of prepaid lease payments	**8,450**	8,651
Write down on inventories	**2,273**	2,873
and after crediting:		
Amortisation of government grants	**644**	644
Government subsidies included in other income *(note a)*	**1,122**	1,321
Interest income	**9,334**	28,337
Reversal of doubtful debts included in other gains and losses	**31,208**	13,131

Note:

(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	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC income tax		
– current period	**(17,971)**	(25,894)
Deferred taxation	**(5,780)**	(1,583)
	(23,751)	(27,477)

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 2015 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 six months period ended 30 June 2016 and 30 June 2015 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. DIVIDEND

No dividend was 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. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the period is based on the profit for the period attributable to owners of the Company of RMB30,239,000 (2015: loss of RMB29,269,000) and on the weighted average number of 8,434,178,000 (2015: 8,434,178,000) shares in issue during the period.

The computation of diluted earnings per share for the six months ended 30 June 2016 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. 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.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred an aggregate amount of RMB68,155,000 (2015: RMB99,992,000) for the acquisition of property, plant and equipment in the PRC in order to upgrade its manufacturing capabilities. Part of the consideration of RMB51,551,000 (2015: RMB37,726,000) 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 RMB1,315,000 (2015: RMB1,476,000) for cash proceeds of RMB3,626,000 (2015: RMB1,013,000), resulting in a gain on disposal of RMB2,311,000 (2015: Loss of RMB463,000).

The carrying value of property, plant and equipment as at 30 June 2016 includes machinery held under sale and finance lease back arrangements of approximately RMB224,335,000 (2015: RMB143,991,000).

9. INVENTORIES

	30.6.2016 ***RMB'000*** **(unaudited)**	31.12.2015 *RMB'000* (audited)
Raw materials	**327,611**	315,201
Work in progress	**63,459**	59,255
Finished goods	**1,593,335**	1,460,872
	1,984,405	1,835,328

10. TRADE AND OTHER RECEIVABLES

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**3,348,081**	3,060,534
Bills receivables	**1,150,075**	1,633,957
	4,498,156	4,694,491
Deposits paid to suppliers	**10,087**	101,558
Prepayments	**134,857**	20,420
Advances to staff	**7,241**	6,275
Value-added tax recoverable	**23,708**	75,625
Value-added tax refundable	**40,649**	41,269
Other receivables	**33,266**	44,179
	4,747,964	4,983,817

Payment terms with customers are mainly on credit. The customers are allowed a credit period of 30 days to 180 days from date of issuance of the invoices, while the long-established customers are allowed a credit period of 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:

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 – 30 days	**1,409,763**	563,226
31 – 60 days	**921,210**	267,919
61 – 90 days	**824,927**	456,846
91 – 180 days	**990,932**	2,684,189
181 – 365 days	**283,882**	709,115
Over 1 year	**67,442**	13,196
	4,498,156	4,694,491

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 restricted 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 2016, the weighted average effective interest rates on restricted deposits was 2.58% (31 December 2015: 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

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**1,258,964**	580,174
Bills payables	**2,461,233**	3,101,776
	3,720,197	3,681,950
Customers' deposits	**626,963**	275,760
Payroll and welfare payables	**70,106**	72,583
Other tax payables	**72,533**	54,634
Accruals	**225,999**	302,510
Other interest bearing payables	**155,292**	84,000
Other payables	**361,527**	337,750
	5,232,617	4,809,187

12. TRADE AND OTHER PAYABLES *(continued)*

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

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 – 90 days	**3,614,837**	2,124,862
91 – 180 days	**77,506**	1,439,028
181 – 365 days	**24,906**	83,759
Over 1 year and within 2 years	**2,948**	34,301
	3,720,197	3,681,950

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 3.00% to 5.50% (2015: 3.50% to 7.16%) per annum at the end of reporting period.

14. BANK LOANS

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Bank loans		
– unsecured	**1,040,434**	976,303
– secured by bank deposits	**782,273**	425,880
– guaranteed by Mr. Li Xinghao	**–**	6,250
	1,822,707	1,408,433
Less: Current portion of long-term bank loans	**–**	(6,250)
Less: Long-term bank loans	**(9,690)**	–
Short-term bank loans	**1,813,017**	1,402,183

At 30 June 2016, 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 RMB6,250,000 (31 December 2015: RMB6,250,000).

14. BANK LOANS *(continued)*

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Carrying amount repayable:		
Within one year	**1,813,017**	1,408,433
More than two years, but not exceeding three years	**9,690**	–
	1,822,707	1,408,433
Less: Amounts due within one year shown under current liabilities	**(1,813,017)**	(1,408,433)
Amount due after one year	**9,690**	–

At the end of the reporting period, the Group has unutilised available credit facilities amounting to RMB568,718,000 (31 December 2015: RMB1,386,281,000).

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

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	equivalent	*equivalent*
	(unaudited)	(audited)
United States Dollars ("USD")	**231,907**	128,183

Average interest rate charged to the Group was as follows:

	30.6.2016	31.12.2015
Bank loans	**4.87%**	4.61%

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 8.00% 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:

	30.6.2016 ***RMB'000*** **(unaudited)**	31.12.2015 *RMB'000* (audited)
Carrying value at the beginning of the period/year	**207,621**	207,021
Repayment of debentures and interests thereon	**(163,750)**	(13,750)
Transaction costs	**–**	–
Net proceeds	**43,871**	193,271
Interest expenses charged	**6,325**	14,350
Carrying value at the end of the period/year	**50,196**	207,621
Carrying amount repayable within one year	**50,196**	155,500
Carrying amount repayable more than one year, but not exceeding two years	**–**	52,121
	50,196	207,621

16. OBLIGATIONS UNDER FINANCE LEASES

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Current liabilities	**97,526**	78,822
Non-current liabilities	**69,581**	83,753
	167,107	162,575

During the six months ended 30 June 2016, the Group entered into two sale and lease back agreements with two different leasing companies 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 finance lease.

As at 30 June 2016, the finance lease has an outstanding obligation of RMB167,107,000. The average effective interest rate of the finance lease is 6.39% (31 December 2015: 7.40%) 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	
	30.06.2016	31.12.2015	**30.06.2016**	31.12.2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Amounts payable under finance leases				
Within one year	**105,349**	88,199	**97,526**	78,822
In more than one year but not more than two years	**60,165**	84,711	**58,152**	81,369
In more than two years but not more than three years	**11,703**	2,401	**11,429**	2,384
	177,217	175,311	**167,107**	162,575
Less: future finance charges	**(10,110)**	(12,736)	**–**	–
Present value of lease obligations	**167,107**	162,575		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**97,526**	78,822
Amount due for settlement after 12 months			**69,581**	83,753

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 2015, 31 December 2015 and 30 June 2016	50,000,000	500,000	8,434,178	84,341

	RMB'000
Shown in the condensed consolidated statement of financial position at 30 June 2016 and 31 December 2015	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 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 641,600,000 (2015: 651,200,000), representing 7.6% (2015: 7.7%) 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:

					Number of share options				
Type of participants	Date of grant	Vesting period	Exercisable period	Adjusted exercise price per share *HKD*	Outstanding at 1.1.2015	Lapsed during the year	Outstanding at 31.12.2015	Lapsed during the period	Outstanding at 30.6.2016
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	173,958,000	(10,380,000)	163,578,000	(2,880,000)	160,698,000
		23.9.2011 – 22.9.2016	23.9.2016 – 22.9.2018	0.45	405,992,000	(24,220,000)	381,772,000	(6,720,000)	375,052,000
Customers#	23.9.2011	23.9.2011 – 22.9.2013	23.9.2013 – 22.9.2018	0.45	3,466,000	(534,000)	2,932,000	–	2,932,000
		23.9.2011 – 22.9.2016	23.9.2016 – 22.9.2018	0.45	8,184,000	(1,266,000)	6,918,000	–	6,918,000
					687,600,000	(36,400,000)	651,200,000	(9,600,000)	641,600,000
Exercisable at end of the period							195,310,000		192,430,000

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 RMB4,745,000 and RMB3,964,000 for the period ended 30 June 2016 and 30 June 2015, 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 2016	Fair value as at 31 December 2015	Fair value hierarchy	Valuation technique(s) and key input(s)
Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Current assets – nil	Current assets – nil	Level 2	***(1) Outright forward contracts*** The valuation is estimated based on the difference between the predetermined forward rate and the market forward rate of expiring date of the contracts at the valuation date. And take into account of the time from the valuation date to the contract expiring date and the RMB risk free interest rate.
	Current liabilities – RMB3,390,000	Current liabilities – RMB2,927,000	Level 2	
	Current assets – RMB30,000	Current assets – nil	Level 2	***(2) Forward contracts with flexible settlement dates*** The valuation is estimated based on the difference between the predetermined forward rate and the market forward rate of expiring date of the contracts at the valuation date. And take into account of the time from the valuation date to the contract expiring date and the RMB risk free interest rate. **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 – RMB5,566,000	Current liabilities – RMB20,796,000	Level 2	
	Non-current liabilities – nil	Non-current liabilities – RMB9,405,000	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 rates, predetermined upper trigger exchange rate, spot exchange rates, 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

	30.6.2016 ***RMB'000*** **(unaudited)**	31.12.2015 *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	**74,910**	98,645

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

The disclosure set out in the table below includes 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 leases and the obligations under finance leases 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.

As at 30 June 2016

	Gross amounts of recognised financial assets *RMB'000*	**Gross amounts of recognised financial liabilities set off in the condensed consolidated statement of financial position** *RMB'000*	**Net amounts of financial liabilities presented in the condensed consolidated statement of financial position** *RMB'000*
Deposit under finance leases	46,176	(46,176)	–

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

As at 30 June 2016

	Gross amounts of recognised financial liabilities *RMB'000*	Gross amounts of recognised financial assets set off in the condensed consolidated statement of financial position *RMB'000*	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position *RMB'000*
Obligations under finance leases	213,283	46,176	(167,107)

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 totaling RMB343,000 (2015: RMB327,000) 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 RMB1,189,000 (2015: RMB1,428,000).