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

2017 INTERIM REPORT

Contents

Financial Highlights

Revenue increased by **20.7%** to RMB **5,911.3 million**

Net margin remained at **0.6%**

Gross profit increased by **17.3%** to RMB **912.8 million**

Total assets increased by **7.1%** (as compared to 31 December 2016) to RMB **10,960.3 million**

Gross margin dropped slightly from **15.9%** to **15.4%**

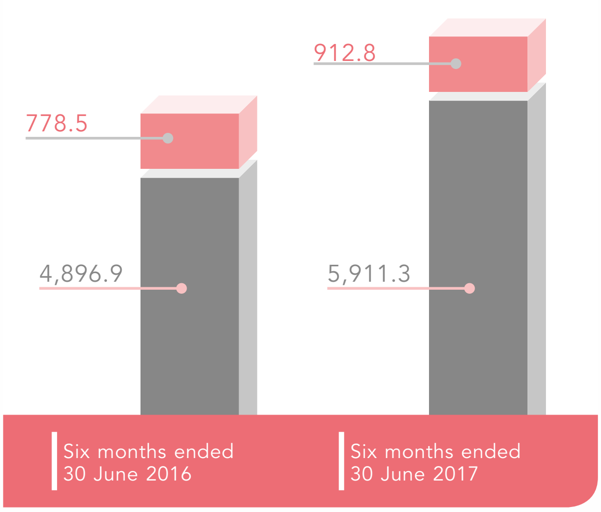
Net assets increased by **0.8%** (as compared to 31 December 2016) to RMB **2,297.0 million**

Increase in net profit for the period by **16.1%** to RMB **36.1 million**

Revenue and gross profit

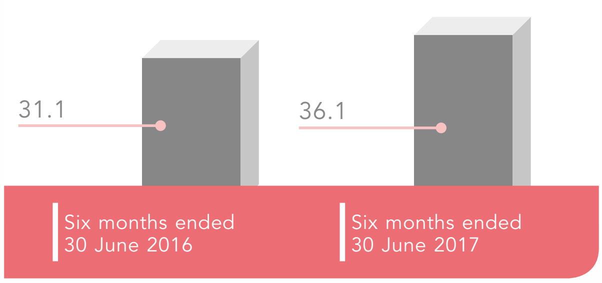
Revenue gross profit

(RMB million)



Profit for the period

(RMB million)



Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Li Xinghao *(Chairman and Chief Executive Officer)*
Ms. Li Xiuhui
Mr. Cheng Jian
Ms. Huang Guijian

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Xiaoming
Mr. Fu Xiaosi
Mr. Wang Manping

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

SMP Partners (Cayman) Limited
Royal Bank House - 3rd Floor
24 Shedden Road, P.O. Box 1586
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 2017:	
No. of shares issued:	8,434,178,000 shares
Market capitalisation:	HKD868.7 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 the first half of 2017, following the gradual improvement of the economic environment in China, the purchasing power of consumers increased. As consumers tended to pursue multi-functional and comfortable air-conditioning products, the market demand of the domestic air-conditioning products has increased during the reporting period.

In addition, as the cost of bulk materials, such as copper prices rose in the first half of 2017, the average price of air-conditioning products also followed the rise gradually. Although the average price of air-conditioning products has risen, due to the favorable economic environment, coupled with the domestic hot weather continued, especially in Eastern China, up to 40 degrees Celsius, making the sales of domestic air-conditioning product rose further.

During the period under review, the Group made appropriate judgment and determination in respect of the sales and pricing strategies on the basis of market conditions. Benefit from the above, during the six months ended 30 June 2017, domestic sales and revenue of the Group's major air-conditioning products recorded a satisfactory increase as compared to those of the same period of last year.

Based on the relevant export data, export sales of China's residential air-conditioning products as a whole showed a steady growth trend in the first half of 2017. While the export performances of respective markets, including the Americas and Europe were outstanding, and showed rapid growth in export sales. Due to the global extreme hot weather in 2017, many cities in Europe and Americas faced a significant increase in the number of hot days, which was favourable to the exports of air-conditioning products.

Since the hot sales in 2016 led to a low inventory level, overseas customers had to restock during the period under review. As a result, rapid growth in exports to these European and American markets was recorded during the six months ended 30 June 2017. In addition, the continued recovery of the overseas real estate market also drive the demand for home appliances directly and keep the momentum of growth of air-conditioning products export.

On the other hand, export sales of residential air-conditioning products to Africa and Oceania declined year-on-year. After a year of rapid growth in the African market, export sales began to decline at the end of 2016. The main reasons for the drop were the larger export base in 2016 and the low oil prices in the region. As it is expected that the oil prices will not pick up in the short term, certain African countries to ensure economic stability, the governments put efforts in reducing import expenditure and avoiding continuous decline in their foreign exchange reserves. As such, export of residential air-conditioning exports in Africa fell in the six months ended 30 June 2017.

Commercial air-conditioning industry experienced a relatively quiet sales situation in 2016. Entering 2017, there has been a clear growth trend in the commercial air-conditioning market. As consumers were more willing to spend, and there are different government policies in China that promoted the demand for commercial air-conditioning products, the Group's commercial air-conditioning unit recorded impressive growth in the sales volume and revenue during the first six months of 2017.

Operation Review

Results of operations

	Six months ended 30 June					
	2017		2016		Change	
	RMB million	***% of Revenue***	*RMB million*	*% of Revenue*	*RMB million*	*%*
Geographic region						
PRC sales	**3,032.4**	**51.3**	2,278.3	46.5	+754.1	+33.1
Asia (excluding PRC)	**1,510.0**	**25.5**	1,561.9	31.9	-51.9	-3.3
Americas	**806.8**	**13.7**	503.0	10.3	+303.8	+60.4
Africa	**161.5**	**2.7**	244.5	5.0	-83.0	-33.9
Europe	**396.2**	**6.7**	303.5	6.2	+92.7	+30.5
Oceania	**4.4**	**0.1**	5.7	0.1	-1.3	-22.8
Overseas sales	**2,878.9**	**48.7**	2,618.6	53.5	+260.3	+9.9
Total revenue	**5,911.3**	**100.0**	4,896.9	100.0	+1,014.4	+20.7

PRC Sales

After the macroeconomic downturn and keen competition in 2016, 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 51.3% (30 June 2016: 46.5%) to its revenue during the six months ended 30 June 2017. As the sales of major air-conditioning products and parts and components increased, the Group recorded PRC sales of RMB3,032.4 million (30 June 2016: RMB2,278.3 million), representing an increase of RMB754.1 million or 33.1%.

Overseas Sales

For the six months ended 30 June 2017, the Group's overseas sales increased by RMB260.3 million or 9.9% to RMB2,878.9 million (30 June 2016: RMB2,618.6 million) and accounted for 48.7% of the Group's total revenue. Except for the Americas and Europe where the Group recorded sales rose, all of the other overseas markets of the Group recorded a decrease in sales in the first half of 2017. Sales to Americas and Europe grew sharply by 60.4% and 30.5% respectively during the period.

Asia (excluding PRC) and Americas remained the major sources of overseas revenue of the Group. These two markets accounted for 25.5% and 13.7% respectively (30 June 2016: 31.9% and 10.3%) of the Group's revenue during the period under review.

Management Discussion and Analysis

Financial Review

Revenue

During the six months ended 30 June 2017, the Group recorded a total revenue of approximately RMB5,911.3 million (30 June 2016: approximately RMB4,896.9 million), representing an increase of RMB754.1 million, or 33.1% as compared to the corresponding period in 2016. 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 sales

Due to the increases in sales volume of major air-conditioning products of the Group and the prices of major raw materials during the first half of 2017, cost of sales during the period under review rose to RMB4,998.5 million (30 June 2016: RMB4,118.5 million), representing an increase of RMB880.0 million or 21.4% as compared to that of the first half of 2016.

Gross profit

During the six months ended 30 June 2017, gross profit of the Group increased by RMB134.3 million or 17.3% to RMB912.8 million (30 June 2016: RMB778.5 million) due to the increase in sales volume of its major air-conditioning products. As a result of a faster increase in the prices of major raw materials, the Group's gross margin dropped slightly to 15.4% in the first half of 2017 as compared to 15.9% for the same period in 2016.

The market conditions and demand for air-conditioning products in the first half of 2017 continued to improve. However, as the prices of major raw materials increased relatively faster, during the reporting period, the gross margin of the Group's PRC sales dropped slightly to 19.3% (30 June 2016: 19.9%) for the first half of 2017. Despite the mixed performance of various overseas markets, the sales volume of the products sold in the major overseas markets continued to improve. On the other hand, the gross margin of overseas sales decreased slightly to 11.3% (30 June 2016: 12.4%) during the period under review due to the rising prices of major raw materials in China and the gradual rebound of the exchange rate of RMB.

Other income

Other income, including mainly the interest income and other operating income, was RMB18.7 million (30 June 2016: RMB12.9 million), representing an increase of RMB5.8 million or 45.0%.

Selling and distribution costs

The Group's selling and distribution costs increased by RMB68.2 million or 17.3% to RMB462.4 million (30 June 2016: RMB394.2 million) for the six months ended 30 June 2017. During the period under review, the increase was mainly due to increases in (i) advertising and promotional expenses; and (ii) transportation cost.

Administrative expenses

Administrative expenses of the Group increased by RMB12.2 million or 5.0% to RMB254.4 million (30 June 2016: RMB242.2 million) for the six months ended 30 June 2017. The increase in administrative expenses was primarily due to the increase in inventories loss during the period under review.

Equity-settled share based payments

The Group record a write-back of equity-settled share based payments of RMB3.1 million (30 June 2016: expense of RMB4.7 million) for the six months ended 30 June 2017. 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 substantially to RMB47.5 million (30 June 2016: RMB32.8 million) by 44.8% or RMB14.7 million for the six months ended 30 June 2017.

Other expenses

Other expenses decreased by RMB0.9 million or 25.7% during the first half of 2017 and amounted to RMB2.6 million (30 June 2016: RMB3.5 million). The expenses were mainly non-operating expenses during the period under review.

Other gains and losses

The Group recorded other losses of RMB41.1 million (30 June 2016: other gains of RMB11.7 million) in the first half of 2017. The other losses were mainly the loss in exchange difference.

Net gain in fair value changes of foreign currency forward contracts

The Group did not enter into any foreign currency forward contracts during the first half of 2017. As a result, no gains or losses (30 June 2016: net gain of RMB5.3 million) were recorded 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. As more financing was used to support business growth during the first half of 2017, the finance costs of the Group increased by RMB3.9 million or 5.1% to RMB80.0 million (30 June 2016: RMB76.1 million) for the six months ended 30 June 2017.

Taxation

Due to the decrease in the PRC income tax charge, the Group's tax charge for the six months ended 30 June 2017 decreased by RMB13.4 million or 56.3% to RMB10.4 million (30 June 2016: RMB23.8 million).

Profit for the period and total comprehensive income for the period

As a result of the foregoing, the Group recorded a profit of RMB36.1 million for the six months ended 30 June 2017 (30 June 2016: RMB31.1 million), representing an increase of RMB5.0 million or 16.1% in net profit as compared to the corresponding period in 2016. Though the net profit of the Group increased during the reporting period, its net margin remained at 0.6% (30 June 2016: 0.6%) for the six months ended 30 June 2017 accordingly.

Financial position

	As at 30 June 2017 RMB million	As at 31 December 2016 RMB million	Change RMB million	Change %
Non-current assets	**1,834.2**	1,884.2	-50.0	-2.7
Current assets	**9,126.1**	8,351.9	+774.2	+9.3
Current liabilities	**8,447.8**	7,678.2	+769.6	+10.0
Non-current liabilities	**215.5**	279.4	-63.9	-22.9
Net assets	**2,297.0**	2,278.5	+18.5	+0.8

As at 30 June 2017, the Group's total assets increased by RMB724.2 million or 7.1% to RMB10,960.3 million (31 December 2016: RMB10,236.1 million). The increase was mainly due to the increase in inventories (increased by RMB371.2 million) and trade and other receivables (increased by RMB602.2 million), which was partly offset by the decrease in bank balances and cash (decreased by RMB148.0 million). Total liabilities of the Group as at 30 June 2017 amounted to RMB8,663.3 million (31 December 2016: RMB7,957.6 million) and increased by RMB705.7 million or 8.9%. The major liabilities that increased in the period were trade and other payables and short-term bank loans (increased by RMB1,148.5 million and RMB400.0 million, respectively), which was offset by the decrease in borrowings related to bills discounted with recourse (decreased by RMB747.2 million).

As the Group recorded a net profit for the period, the Group's net assets increased by 0.8% or RMB18.5 million to RMB2,297.0 million as at 30 June 2017 (31 December 2016: RMB2,278.5 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 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 2017, the Group's current assets amounted to RMB9,126.1 million (31 December 2016: RMB8,351.9 million) and current liabilities amounted to RMB8,447.8 million (31 December 2016: RMB7,678.2 million). The Group's working capital increased by RMB4.6 million or 0.7% from RMB673.7 million as at the end of 2016 to RMB678.3 million as at 30 June 2017. As the Group's working capital remained relatively stable during the first half of 2017, the current ratio remained at 1.1 times (31 December 2016: 1.1 times) as at 30 June 2017.

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 a longer tenure matching with the relevant project period were sought from the banks to serve this purpose.

During the first half of 2017, the Group had obtained funding for its business operation by obtaining bank loans and funding from finance leases. As at 30 June 2017, the balances of short-term and long-term bank loans utilised by the Group were RMB2,024.0 million and RMB74.1 million respectively (31 December 2016: RMB1,624.0 million and RMB98.6 million respectively). Short-term loans increased by RMB400.0 million or 24.6% and the long-term borrowings dropped by RMB24.5 million or 24.8%. 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. The Group did not have any debentures (31 December 2016: RMB52.3 million) outstanding as at the end of the reporting period.

For the six months ended 30 June 2017, the Group also enhanced its working capital position and obtained financing by entering into finance leases arrangements. As at the end of June 2017, the Group had obligations under finance leases of approximately RMB236.1 million (31 December 2016: RMB265.1 million).

The gearing ratio (calculated as interest-bearing loans and other borrowings to total assets) of the Group increased to 21.3% as at 30 June 2017 (31 December 2016: 19.4%) because the Group's total borrowings increased at a faster rate than its total assets by RMB346.5 million during the reporting period.

During the first half of 2017, despite its total borrowings increased, the Group had discounted less bills receivables for working capital. The Group increased its finance cost by 5.1% or RMB3.9 million for the first six months comparing to the same period in 2016 because the total borrowings of the Group increased. However, ability of the Group to service finance costs, as indicated by interest cover, dropped slightly during the reporting period. Since the Group had recorded an increase in profit before interest and tax during the period under review, interest cover of the Group decreased to 1.6 times for the six months ended 30 June 2017 as compared to 1.7 times for the same period in 2016.

During the first half of 2017, the Group did not enter into any foreign currency forward contracts to hedge against part of its exposure on potential variability of foreign currency risk.

As at 30 June 2017, 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 RMB2,259.2 million as at 30 June 2017 (31 December 2016: RMB2,233.9 million).

Other than the above, there were no other equity or debt instruments issued by the Company during the reporting period and at the end of June 2017.

Cash flows

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
Net cash used in operating activities	**(344.2)**	(68.7)
Net cash (used in) from investing activities	**(6.2)**	71.7
Net cash from financing activities	**202.4**	194.2
Net (decrease) increase in cash and cash equivalents	**(148.0)**	197.2
Cash and cash equivalents at 30 June	**643.9**	615.5

For the six months ended 30 June 2017, the Group used cash in its operating activities amounting to RMB344.2 million. 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 RMB90.7 million by withdrawing certain pledged bank deposits. The Group continued to invest in fixed assets and applied RMB21.1 million and RMB41.9 million (30 June 2016: RMB1.8 million and RMB49.5 million, respectively) for purchase and deposits paid on acquisition of property, plant and equipment respectively for its future business expansion and development. The Group also purchased short-term investments of RMB17.7 million. As such, the Group used net cash of approximately RMB6.2 million in its investing activities.

During the first half of 2017, the Group increased its borrowings and obtained bank loans by a net amount of RMB375.5 million. Part of the funding was used to repay debentures amounting to RMB50 million and interest on borrowings. As such, the Group generated net cash of approximately RMB202.4 million from its financing activities.

As a result of the foregoing, cash balances of the Group decreased by RMB148.0 million during the six months ended 30 June 2017 (30 June 2016: increase of RMB197.2 million) and the bank balances and cash decreased to RMB643.9 million as at 30 June 2017 (30 June 2016: RMB615.5 million).

Finance lease arrangements

On 20 January 2017, Guangdong Chigo entered into a finance lease contract with Ping An International Financial Leasing Co., Ltd. ("**Ping An Leasing**"), pursuant to which Ping An Leasing has conditionally agreed to purchase certain machinery and equipment from Guangdong Chigo at an aggregate consideration of RMB31,591,928 and lease the equipment back to Guangdong Chigo for a period of 36 months.

On 28 February 2017, Guangdong Chigo entered into a finance lease arrangement with International Far Eastern Leasing Co., Ltd. ("**FE Leasing**"), pursuant to which FE Leasing has conditionally agreed to purchase certain machinery and equipment from Guangdong Chigo at an aggregate consideration of RMB27,965,000 and lease the equipment back to Guangdong Chigo for a period of 36 months.

On 22 June 2017, Guangdong Chigo entered into a finance lease arrangement with FE Leasing, pursuant to which FE Leasing has conditionally agreed to purchase certain machinery and equipment from Guangdong Chigo at an aggregate consideration of RMB26,714,000 and lease the equipment back to Guangdong Chigo for a period of 36 months.

Material acquisitions and disposals, significant investments

During the six months ended 30 June 2017, 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 2017.

Charge on assets

As at 30 June 2017, certain bank deposits of the Group in an aggregate carrying amount of approximately RMB769.9 million (31 December 2016: approximately RMB860.5 million) were pledged to certain banks for securing the banking facilities granted to the Group.

Exposure to fluctuations in exchange rates

During the six months ended 30 June 2017, approximately 48.7% 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 not entered into any 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 2017. 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 to take out appropriate hedging as required.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2017.

Employees and Remuneration

As at 30 June 2017, the Group employed 13,196 employees (30 June 2016: 13,223 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.

Outlook and Future Plans

Entering the second half of 2017, there has been frequent rainfall in China recently. However, hot weather still continues on after the rainstorm. Air-conditioning manufacturers generally believe that the domestic air-conditioning products market sales will continue to be high in the second half of 2017, but the momentum of rapid growth may be slightly slowed down. While the Group holds a cautious and optimistic view of the domestic sales of residential air-conditioning and its internal target of domestic sales is still aggressive.

On the other hand, based on the Group's overall production scale and plan, its annual sales plan and the market supply of raw materials in the air-conditioning industry, the Group expects that the supply of certain raw materials may be insufficient in the second half of 2017, which will lead to the inability to meet the needs of the market.

Generally speaking, the recovery of overseas demand is advantageous to the export of Chinese air-conditioning products to pick up. However, with the increase in trade frictions between countries, the road of Chinese air-conditioning manufacturers to exports is also full of challenges. In addition, external factors such as fluctuations of the RMB exchange rate, expectation of rising interest rates, lacking of stamina of the economic growth of the emerging market will also weaken the export growth of Chinese air-conditioning enterprises to a certain degree. As such, although a continued growth trend was noted in the first six months of 2017, global macroeconomic situation remains uncertain and the rising raw material prices for domestic air-conditioning production, could lead some overseas customers to turn prudent and hold a wait-and-see view on their upcoming orders.

The Group expects the growth rate of exports of air-conditioning products to be narrowed for the whole year of 2017, but the overall market demand will remain stable and a double-digit growth target is still expected to achieve in 2017.

As at 30 June 2017, 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 2017 (six months ended 30 June 2016: nil).

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

As at 30 June 2017, 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 2017	Approximate percentage of shareholding[1]
Mr. Li Xinghao[2]	Held by controlled corporation	4,322,234,210	51.25
Ms. Li Xiuhui	Beneficial owner	25,256,000	0.30
Mr. Cheng Jian	Beneficial owner	1,000	0.00001
Ms. Huang Guijian	Beneficial owner	2,700,000	0.03
		4,350,191,210	51.58

Notes:

1 Based on 8,434,178,000 shares of the Company in issue as at 30 June 2017.

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.

Long position in the shares of associated corporation

Name of Director	Associated corporation	Capacity	Number of issued ordinary shares held as at 30 June 2017	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 2017	Number of underlying shares
Mr. Li Xinghao	Beneficial owner	8,000,000	8,000,000
Ms. Li Xiuhui	Beneficial owner	10,050,000	10,050,000
Mr. Cheng Jian	Beneficial owner	10,000,000	10,000,000
Ms. Huang Guijian	Beneficial owner	1,650,000	1,650,000
Mr. Zhang Xiaoming	Beneficial owner	1,000,000	1,000,000
Mr. Fu Xiaosi	Beneficial owner	1,000,000	1,000,000
		31,700,000	31,700,000

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 2017.

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.

During the reporting period, no share option was granted, exercised or cancelled. The following table discloses the movements in the Company's share options and the underlying shares during the six months ended 30 June 2017:

					Underlying shares exercisable under the share options		
	Date of grant	Vesting date	Exercise period	Exercise Price[1] (HKD)	Outstanding at 1 January 2017	Lapsed during the period	Outstanding at 30 June 2017
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
Li Xiuhui	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	3,014,000	–	3,014,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	7,036,000	–	7,036,000
					10,050,000	–	10,050,000
Cheng Jian	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 Guijian	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	494,000	–	494,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	1,156,000	–	1,156,000
					1,650,000	–	1,650,000

	Date of grant	Vesting date	Exercise period	Exercise Price[1] (HKD)	Underlying shares exercisable under the share options: Outstanding at 1 January 2017	Lapsed during the period	Outstanding at 30 June 2017
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					**31,700,000**	**–**	**31,700,000**
Category 2: Employees							
Employees	2011.9.23	2013.9.23	2013.9.23 – 2018.9.22	0.45	167,586,000	(6,870,000)	160,716,000
	2011.9.23	2016.9.23	2016.9.23 – 2018.9.22	0.45	391,114,000	(16,030,000)	375,084,000
Sub-total					**558,700,000**	**(22,900,000)**	**535,800,000**

	Date of grant	Vesting date	Exercise period	Exercise Price[1] (HKD)	Underlying shares exercisable under the share options: Outstanding at 1 January 2017	Lapsed during the period	Outstanding at 30 June 2017
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					**600,250,000**	**(22,900,000)**	**577,350,000**

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 2017 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 2017, 577,350,000 share options remained outstanding under the Share Option Scheme, which represents approximately 6.85% 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 2017 will amount to an aggregate of 1,420,767,800 shares, representing approximately 16.85% of the issued share capital of the Company at 30 June 2017 and is within the 30% overall limit as required under the Share Option Scheme.

Other Information

Substantial shareholders

As at 30 June 2017, 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 2017	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 2017.

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 2017.

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 2017.

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 2017, the Company has complied with the code provisions set out in the CG Code except for the deviation from Code Provision A.2.1 of the CG Code.

Code Provision A.2.1

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 2017, 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 23 years of experience in the air-conditioning industry. The Directors believe that Mr. Li is a good leader to lead the Board and vesting the roles of Chairman and CEO in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. As such, it is beneficial to the business prospects of the Company.

The Directors will continue to review the effectiveness of the corporate governance structure of the Group and assess whether changes, including the separation of the roles of Chairman and CEO, are necessary.

Model Code for Securities Transaction by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code regarding securities transactions by the Directors (the "**Own Code**"). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Own Code. All Directors have confirmed their compliance during the first half of 2017 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 2017 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 2017

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 21 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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

28 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	NOTES	Six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	3	**5,911,313**	4,896,942
Cost of sales		**(4,998,486)**	(4,118,469)
Gross profit		**912,827**	778,473
Other income		**18,654**	12,923
Selling and distribution costs			
– equity-settled share based payments		**716**	(1,008)
– other selling and distribution costs		**(462,396)**	(394,193)
Administrative expenses			
– equity-settled share based payments		**2,429**	(3,737)
– other administrative expenses		**(254,437)**	(242,173)
Research and development costs		**(47,482)**	(32,798)
Other expenses		**(2,648)**	(3,520)
Other gains and losses		**(41,098)**	11,695
Net gain in fair value changes on foreign currency forward contracts		**–**	5,281
Finance costs		**(80,040)**	(76,100)
Profit before taxation	4	**46,525**	54,843
Taxation	5	**(10,432)**	(23,751)
Profit for the period and total comprehensive income for the period		**36,093**	31,092
Profit for the period and total comprehensive income for the period attributable to			
– owners of the Company		**28,481**	30,239
– non-controlling interests		**7,612**	853
		36,093	31,092
Earnings per share	7		
– Basic and diluted		**RMB0.34 cents**	RMB0.36 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	**1,347,841**	1,381,385
Land use rights		**201,954**	204,638
Intangible assets		**342**	493
Prepaid lease payments		**194,915**	202,059
Deposits paid for acquisition of property, plant and equipment		**41,934**	51,258
Available-for-sale investments		**23,000**	23,000
Deferred tax assets		**24,263**	21,364
		1,834,249	1,884,197
Current assets			
Inventories	9	**2,523,131**	2,151,943
Trade and other receivables	10	**5,098,493**	4,496,312
Land use rights		**5,378**	5,378
Prepaid lease payments		**17,632**	17,653
Taxation recoverable		**8,202**	8,202
Short-term investments		**17,700**	–
Restricted deposits	11	**41,843**	20,000
Pledged bank deposits		**769,854**	860,517
Bank balances and cash		**643,895**	791,864
		9,126,128	8,351,869
Current liabilities			
Trade and other payables	12	**5,739,060**	4,590,592
Warranty provision		**48,583**	42,010
Taxation payable		**169,711**	164,984
Borrowings related to bills discounted with recourse	13	**311,226**	1,058,452
Short-term bank loans	14	**2,024,023**	1,623,985
Current portion of long-term bank loans	14	**31,941**	–
Current portion of long-term debentures	15	**–**	52,271
Obligations under finance leases	16	**123,264**	145,916
		8,447,808	7,678,210
Net current assets		**678,320**	673,659
Total assets less current liabilities		**2,512,569**	2,557,856
Non-current liabilities			
Government grants		**34,260**	36,354
Long-term bank loans	14	**42,134**	98,580
Obligations under finance leases	16	**112,847**	119,213
Deferred tax liabilities		**26,266**	25,195
		215,507	279,342
Net assets		**2,297,062**	2,278,514

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTE	**30.6.2017**	31.12.2016
		RMB'000	*RMB'000*
		(unaudited)	(audited)
Capital and reserves			
Share capital	*17*	**71,906**	71,906
Reserves		**2,187,328**	2,161,992
Equity attributable to owners of the Company		**2,259,234**	2,233,898
Non-controlling interests		**37,828**	44,616
Total equity		**2,297,062**	2,278,514

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	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 2017 (audited)	**71,906**	**938,187**	**(26,408)**	**63,535**	**73,041**	**246,600**	**867,037**	**2,233,898**	**44,616**	**2,278,514**
Profit for the period and total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**28,481**	**28,481**	**7,612**	**36,093**
Recognition of equity-settled share based payments	**-**	**-**	**-**	**-**	**(3,145)**	**-**	**-**	**(3,145)**	**-**	**(3,145)**
Distribution to non-controlling interests– *(Note d)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,400)**	**(14,400)**
Transfers	**-**	**-**	**-**	**-**	**-**	**4,675**	**(4,675)**	**-**	**-**	**-**
At 30 June 2017 (unaudited)	**71,906**	**938,187**	**(26,408)**	**63,535**	**69,896**	**251,275**	**890,843**	**2,259,234**	**37,828**	**2,297,062**
At 1 January 2016 (audited)	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

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 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 a 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 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(344,227)**	(68,694)
Investing activities		
Placement of pledged bank deposits	**(1,051,720)**	(779,345)
Purchase of property, plant and equipment	**(21,061)**	(1,763)
Prepaid lease payments paid	**(2,666)**	(2,724)
Deposits paid on acquisition of property, plant and equipment	**(41,934)**	(49,464)
Withdrawal of pledged bank deposits	**1,142,383**	917,085
Proceeds from disposal of property, plant and equipment	**2,598**	3,626
Purchase of short-term investments	**(17,700)**	(30,000)
Proceeds from disposal of short-term investments	**–**	40,000
Placement of restricted deposits	**(21,843)**	(35,000)
Interest received	**5,761**	9,334
Net cash (used in) from investing activities	**(6,182)**	71,749
Financing activities		
Bank loans raised	**1,822,324**	1,722,707
Proceeds from sale and lease back arrangement	**49,251**	45,499
Repayment of bank loans	**(1,446,791)**	(1,308,433)
Repayment of debentures	**(50,000)**	(150,000)
Interest paid	**(79,675)**	(76,976)
Capital injection from non-controlling interests of a subsidiary	**–**	2,400
Distribution to non-controlling interests	**(14,400)**	–
Repayment of obligations under finance leases	**(78,269)**	(40,967)
Net cash from financing activities	**202,440**	194,230
Net (decrease) increase in cash and cash equivalents	**(147,969)**	197,285
Cash and cash equivalents at 1 January	**791,864**	418,197
Cash and cash equivalents at 30 June	**643,895**	615,482
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**643,895**	615,482

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	As part of annual improvements to HKFRSs 2014-2016 cycle

The application of these amendments to the HKFRSs in the current interim period has had 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	
	30.6.2017	30.6.2016	**30.6.2017**	30.6.2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Mainland China (the "PRC")	**3,032,404**	2,278,373	**586,647**	454,262
Asia (excluding PRC)	**1,509,992**	1,561,879	**159,879**	186,673
Americas	**806,838**	503,035	**114,630**	85,785
Africa	**161,476**	244,509	**14,738**	16,866
Europe	**396,170**	303,492	**35,982**	33,783
Oceania	**4,433**	5,654	**951**	1,104
	5,911,313	4,896,942	**912,827**	778,473
Unallocated other income			**18,654**	12,923
Unallocated expenses			**(522,179)**	(402,764)
Staff costs included in selling and distribution costs and administrative expenses			**(246,977)**	(222,842)
Allowance for doubtful debts			**(35,760)**	(40,128)
Net gain in fair value changes on foreign currency forward contracts			**–**	5,281
Finance costs			**(80,040)**	(76,100)
Profit before taxation			**46,525**	54,843

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	
	2017	2016
	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	**35,760**	40,128
Amortisation of intangible assets included in administrative expenses	**151**	175
Charitable donations in the PRC	**182**	122
Depreciation of property, plant and equipment	**91,877**	96,099
Provision for warranty included in cost of sales	**27,940**	20,532
Release of prepaid lease payments	**9,831**	8,450
Write off on inventories	**23,500**	2,273
Net exchange loss included in other gains and losses	**22,427**	–
and after crediting:		
Amortisation of government grants	**644**	644
Government subsidies included in other income *(note a)*	**2,436**	1,122
Interest income	**5,764**	9,334
Reversal of doubtful debts included in other gains and losses	**34,816**	31,208
Net exchange gain included in other gains and losses	**–**	18,304

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

5. TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC income tax		
– current period	**(12,260)**	(17,971)
Deferred taxation	**1,828**	(5,780)
	(10,432)	(23,751)

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% till 2017 to 2018.

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 profit 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 profit earned during the six months period ended 30 June 2017 and 30 June 2016 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 PER SHARE

The calculation of the basic earnings per share for the period is based on the profit for the period attributable to owners of the Company of RMB28,481,000 (2016: RMB30,239,000) and on the weighted average number of 8,434,178,000 (2016: 8,434,178,000) shares in issue during the period.

The computation of diluted earnings per share for the six months ended 30 June 2017 and 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.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred an aggregate amount of RMB64,632,000 (2016: RMB68,155,000) for the acquisition of property, plant and equipment in the PRC in order to upgrade its manufacturing capabilities. Part of the consideration of RMB51,258,000 (2016: RMB51,551,000) 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 RMB2,561,000 (2016: RMB1,315,000) for cash proceeds of RMB2,598,000 (2016: RMB3,626,000), resulting in a gain on disposal of RMB37,000 (2016:Gain of RMB2,311,000).

The carrying value of property, plant and equipment as at 30 June 2017 includes machinery held under sale and finance lease back arrangements of approximately RMB267,928,000 (2016: RMB224,335,000).

9. INVENTORIES

	30.6.2017 ***RMB'000*** **(unaudited)**	31.12.2016 *RMB'000* (audited)
Raw materials	**525,918**	420,765
Work in progress	**84,828**	75,867
Finished goods	**1,912,385**	1,655,311
	2,523,131	2,151,943

10. TRADE AND OTHER RECEIVABLES

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**3,588,347**	2,782,143
Bills receivables	**1,209,277**	1,468,064
	4,797,624	4,250,207
Deposits paid to suppliers	**125,350**	135,092
Prepayments	**48,079**	21,924
Advances to staff	**7,235**	6,488
Value-added tax recoverable	**38,927**	20,843
Value-added tax refundable	**–**	9,560
Other receivables	**81,278**	52,198
	5,098,493	4,496,312

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:

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 – 30 days	**1,620,774**	920,605
31 – 60 days	**936,059**	509,542
61 – 90 days	**653,780**	554,117
91 – 180 days	**1,333,428**	1,939,525
181 – 365 days	**123,785**	201,327
Over 1 year	**129,798**	125,091
	4,797,624	4,250,207

11. RESTRICTED DEPOSITS

The Group's short term restricted deposits represented balances deposited in banks in the PRC, which management believes they are of high credit quality and does not expect high credit risks in this aspect. The Group's restricted deposits are with initial terms of 44 days and are restricted for obtaining a guarantee interest rate return and are denominated in RMB.

As at 30 June 2017, the weighted average effective interest rate on restricted deposits was 0.63% (31 December 2016:1%) 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

	30.6.2017 ***RMB'000*** **(unaudited)**	31.12.2016 *RMB'000* (audited)
Trade payables	**1,737,993**	1,098,447
Bills payables	**2,659,006**	2,150,229
	4,396,999	3,248,676
Customers' deposits	**575,328**	574,450
Payroll and welfare payables	**103,752**	83,597
Other tax payables	**61,514**	64,200
Accruals	**63,676**	83,018
Other interest bearing payables	**87,006**	155,606
Advertising and promotion costs payable	**23,915**	29,040
Transportation costs payable	**6,471**	4,999
Provision for energy-saving subsidies refundable	**199,190**	199,190
Other payables	**221,209**	147,816
	5,739,060	4,590,592

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:

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 – 90 days	**2,901,868**	2,227,556
91 – 180 days	**1,413,683**	874,302
181 – 365 days	**64,767**	132,614
Over 1 year and within 2 years	**16,681**	14,204
	4,396,999	3,248,676

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 3.64% to 5.77% (2016: 3.00% to 5.50%) per annum at the end of reporting period.

14. BANK LOANS

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Bank loans		
– unsecured	**2,068,098**	1,634,789
– secured by bank acceptance notes	**30,000**	87,776
	2,098,098	1,722,565
Less: Current portion of long-term bank loans	**(31,941)**	–
Less: Long-term bank loans	**(42,134)**	(98,580)
Short-term bank loans	**2,024,023**	1,623,985

14. BANK LOANS *(continued)*

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Carrying amount repayable:		
Within one year	**2,055,964**	1,623,985
More than two years, but not exceeding three years	**42,134**	98,580
	2,098,098	1,722,565
Less: Amounts due within one year shown under current liabilities	**(2,055,964)**	(1,623,985)
Amount due after one year	**42,134**	98,580

At the end of the reporting period, the Group has unutilised available credit facilities amounting to RMB1,282,924,000 (31 December 2016: RMB1,733,600,000).

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

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	equivalent	*equivalent*
	(unaudited)	(audited)
United States Dollars ("USD")	**309,710**	125,491

Average interest rate charged to the Group was as follows:

	30.6.2017	31.12.2016
Bank loans	**4.96%**	5.26%

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. The 2014 debentures were fully repaid during the period.

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

	30.6.2017 ***RMB'000*** **(unaudited)**	31.12.2016 *RMB'000* (audited)
Carrying value at the beginning of the period/year	**52,271**	207,621
Repayment of debentures and interests thereon	**(54,000)**	(163,750)
Transaction costs	**62**	337
Net proceeds	**(1,667)**	44,208
Interest expenses charged	**1,667**	8,063
Carrying value at the end of the period/year	**–**	52,271
Carrying amount repayable within one year	**–**	52,271

16. OBLIGATIONS UNDER FINANCE LEASES

	30.6.2017 ***RMB'000*** **(unaudited)**	31.12.2016 *RMB'000* (audited)
Current liabilities	**123,264**	145,916
Non-current liabilities	**112,847**	119,213
	236,111	265,129

During the six months ended 30 June 2017, 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 companies 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.

16. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

As at 30 June 2017, the finance leases have an outstanding obligation of RMB236,111,000. The average effective interest rate of the finance leases is 7.05% (31 December 2016: 6.78%) 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**	
	30.6.2017	31.12.2016	**30.6.2017**	31.12.2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Amounts payable under finance leases				
Within one year	**146,417**	166,542	**122,731**	145,383
In more than one year but not more than two years	**101,782**	85,651	**79,470**	68,001
In more than two years but not more than three years	**44,352**	67,278	**33,910**	51,745
	292,551	319,471	**236,111**	265,129
Less: future finance charges	**(56,440)**	(54,342)	**–**	–
Present value of lease obligations	**236,111**	265,129		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**123,264**	145,916
Amount due for settlement after 12 months			**112,847**	119,213

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 31 December 2016 (audited), 1 January 2017 and 30 June 2017 (unaudited)	50,000,000	500,000	8,434,178	84,341

	RMB'000
Shown in the condensed consolidated statement of financial position at 30 June 2017 and 31 December 2016	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 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 577,350,000 (2016: 600,250,000), representing 6.8% (2016: 7.1%) 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.

18. EQUITY-SETTLED SHARE BASED PAYMENTS *(continued)*

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board of Directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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 1.1.2016	Lapsed during the year	Transfered during the year	Outstanding at 31.12.2016	Lapsed during the period	Outstanding at 30.6.2017
Directors	23.9.2011	23.9.2011 – 22.9.2013	23.9.2013 – 22.9.2018	0.45	28,800,000	(7,800,000)	(11,492,000)	9,508,000	**–**	**9,508,000**
		23.9.2011 – 22.9.2016	23.9.2016 – 22.9.2018	0.45	67,200,000	(18,200,000)	(26,808,000)	22,192,000	**–**	**22,192,000**
Employees	23.9.2011	23.9.2011 – 22.9.2013	23.9.2013 – 22.9.2018	0.45	163,578,000	(7,484,000)	11,492,000	167,586,000	**(6,870,000)**	**160,716,000**
		23.9.2011 – 22.9.2016	23.9.2016 – 22.9.2018	0.45	381,772,000	(17,466,000)	26,808,000	391,114,000	**(16,030,000)**	**375,084,000**
Customers#	23.9.2011	23.9.2011 – 22.9.2013	23.9.2013 – 22.9.2018	0.45	2,932,000	–	–	2,932,000	**–**	**2,932,000**
		23.9.2011 – 22.9.2016	23.9.2016 – 22.9.2018	0.45	6,918,000	–	–	6,918,000	**–**	**6,918,000**
					651,200,000	(50,950,000)	–	600,250,000	**(22,900,000)**	**577,350,000**
Exercisable at end of the period								600,250,000		**577,350,000**

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.

19. CAPITAL COMMITMENTS

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial information in respect of the		
– capital contribution to subsidiaries	**30,244**	20,243
– acquisition of property, plant and equipment	**54,480**	70,093
	84,724	90,336

20. 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 2017

	Gross amounts of recognised financial assets	**Gross amounts of recognised financial liabilities set off in the condensed consolidated statement of financial position**	**Net amounts of financial liabilities presented in the condensed consolidated statement of financial position**
	RMB'000	*RMB'000*	*RMB'000*
Deposit under finance leases	89,611	(89,611)	–

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

As at 30 June 2017

	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	(325,722)	89,611	(236,111)

21. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Other than the transactions and balances with related parties disclosed in respective notes in the condensed consolidated financial information, during the period, the Group paid miscellaneous expenses totaling RMB402,000 (2016: RMB343,000) 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 RMB787,000 (2016: RMB1,189,000).