THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chigo Holding Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CHIGO

CHIGO HOLDING LIMITED
志高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 449)

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF PROPERTIES
AND
RELOCATION COMPENSATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of Chigo Holding Limited to be held at Picasso Room B, B1 Level, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 8 August 2019 at 3:00 p.m. (the "**EGM**") is set out on pages 48 to 49 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

If you are not able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

24 July 2019

CONTENTS

Page

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"Board"	the board of Directors
"Building(s)"	has the meaning ascribed to it under the section headed "2. The Disposal – The Properties to be disposed of" of the "Letter from the Board" contained in this circular
"Chigo Heating & Ventilation"	廣東志高暖通設備股份有限公司 (Guangdong Chigo Heating & Ventilation Equipment Co., Ltd.*), a limited company incorporated in the PRC which was held as to 30% by the Vendor as at the Latest Practicable Date
"Chigo Precision"	廣東志高精密機械有限公司 (Guangdong Chigo Precision Machinery Co., Ltd*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Company"	Chigo Holding Limited, a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the proposed disposal of the Properties by the Vendor to the Purchaser pursuant to the terms of the Transfer Agreement
"Disposal Consideration"	has the meaning ascribed to it under the section headed "2. The Disposal – Disposal Consideration and basis of determination of Disposal Consideration" of the "Letter from the Board" contained in this circular
"EGM"	the extraordinary general meeting of the Company to be convened to consider and approve the Transfer Agreement, the Relocation Compensation Agreement and the Transactions
"FE Leasing"	International Far Eastern Leasing Co., Ltd.
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC

"Independent Third Parties"	parties who are not connected persons of the Company and are independent of the Company and its connected person
"Kechuang"	廣東志高科創銅業有限公司 (Guangdong Chigo Kechuang Copper Co., Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Land(s)"	has the meaning ascribed to it under the section headed "2. The Disposal – The Properties to be disposed of" of the "Letter from the Board" contained in this circular
"Land No. 1"	has the meaning ascribed to it under the section headed "2. The Disposal – The Properties to be disposed of" of the "Letter from the Board" contained in this circular
"Land No. 2"	has the meaning ascribed to it under the section headed "2. The Disposal – The Properties to be disposed of" of the "Letter from the Board" contained in this circular
"Land No. 3"	has the meaning ascribed to it under the section headed "2. The Disposal – The Properties to be disposed of" of the "Letter from the Board" contained in this circular
"Land No. 4"	has the meaning ascribed to it under the section headed "2. The Disposal – The Properties to be disposed of" of the "Letter from the Board" contained in this circular
"Land No. 5"	has the meaning ascribed to it under the section headed "2. The Disposal – The Properties to be disposed of" of the "Letter from the Board" contained in this circular
"Latest Practicable Date"	19 July 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"mu"	mu* (畝), unit of land area equivalent to approximately 666.67 sq. m.
"Parties"	the Vendor and the Purchaser
"Ping An Leasing (Tianjin)"	Ping An International Financial Leasing (Tianjin) Co., Ltd.
"PRC"	the People's Republic of China

"Properties"	the properties to be transferred by the Vendor to the Purchaser pursuant to the Transfer Agreement
"Property Valuation Report"	a report prepared by the Valuer in respect of the valuation on the Properties as set out in Appendix I to this circular
"Purchaser"	粵港澳大灣區產融資產管理有限公司 (Greater Bay Area Chanrong Asset Management Company Limited*), a company incorporated in the PRC with limited liabilities and an Independent Third Party
"Relocation"	has the meaning ascribed to it under the section headed "3. Relocation Compensation – Relocation and Relocation Compensation" of the "Letter from the Board" contained in this circular
"Relocation Compensation"	has the meaning ascribed to it under the section headed "3. Relocation Compensation – Relocation and Relocation Compensation" of the "Letter from the Board" contained in this circular
"Relocation Compensation Agreement"	the relocation compensation agreement (拆遷補償協議) dated 21 May 2019 between the Parties in relation to the Relocation Compensation (being supplemental to the Transfer Agreement)
"Remaining Group"	the Group immediately after the completion of the Disposal
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Sinopharm Leasing"	Sinopharm Holding (China) Finance Leasing Co., Ltd.
"sq. m."	square metre(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction(s)"	the transaction(s) contemplated under the Transfer Agreement and the Relocation Compensation Agreement

"Transfer Agreement"	the agreement in relation to the transfer of the land use rights to collective construction land and interests in the buildings thereon (集體建設用地使用權及地上建築物權益轉讓協議) dated 21 May 2019 between the Parties in relation to the sale of the Properties by the Vendor to the Purchaser (as supplemented by supplemental agreements between the Parties on the same date, which form part of the Transfer Agreement)
"Valuer"	PSA (HK) Surveyors Limited (國眾聯(香港)測量師行有限公司), the independent professional valuer appointed by the Vendor in respect of the valuation of the Properties. Both PSA (HK) Surveyors Limited (國眾聯(香港)測量師行有限公司) and Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司) are members of Guo Zong Lian Group (國眾聯集團)
"Vendor"	廣東志高空調有限公司 (Guangdong Chigo Air-conditioning Co., Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Yaoda Leasing"	廣東耀達融資租賃有限公司 (Yaoda Finance Lease Co., Ltd.*)
"%"	per cent.

For the purposes of this circular, conversion of RMB into HK$ is based on the approximate exchange rate of HK$1.00 to RMB0.879 for the purpose of illustration only.

* *The English translation is provided for identification purpose only.*

CHIGO HOLDING LIMITED
志高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 449)

Executive Directors:
Mr. Li Xinghao *(Chairman and Chief Executive Officer)*
Ms. Li Xiuhui
Ms. Huang Guijian
Mr. Yang Xiangwen

Independent non-executive Directors:
Mr. Zhang Xiaoming
Mr. Wang Manping
Mr. Pan Mingjun

Registered Office:
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
1 Science Museum Road
Tsimshatsui, Kowloon
Hong Kong

24 July 2019

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF PROPERTIES
AND
RELOCATION COMPENSATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Reference is made to the announcement of the Company dated 21 May 2019 in relation to the Transactions.

1. INTRODUCTION

The Board announced that on 21 May 2019 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Transfer Agreement with the Purchaser pursuant to which the Vendor had agreed to sell, and the Purchaser had agreed to purchase, the Properties located in Foshan City, Guangdong Province, the PRC, at the Disposal Consideration of RMB450 million (equivalent to approximately HK$511,900,000).

The Board also announced that on 21 May 2019 (after trading hours), the Vendor entered into the Relocation Compensation Agreement (being supplemental to the Transfer Agreement) with the Purchaser, pursuant to which the Purchaser had agreed to pay the Relocation Compensation in the amount of RMB358 million (equivalent to approximately HK$407,300,000) to the Vendor for the Relocation.

Pursuant to the Transfer Agreement and the Relocation Compensation Agreement, completion of the Transactions shall be conditional upon the approval of the Transfer Agreement, the Relocation Compensation Agreement and the Transactions by the Shareholders at the EGM having been obtained.

The Transactions constitute a very substantial disposal of the Company under the Listing Rules, and are subject to the applicable reporting, announcement and shareholders' approval requirements.

The purpose of this circular is: (i) to provide you with details of the terms of the Transfer Agreement and the Relocation Compensation Agreement and the Transactions; (ii) to set out the Property Valuation Report in respect of the Property; and (iii) to give notice of the EGM to be held to consider and, if thought fit, to approve the Transfer Agreement, the Relocation Compensation Agreement and the Transactions.

2. THE DISPOSAL

A summary of the salient terms of the Transfer Agreement in relation to the Disposal is set out below.

Date

21 May 2019

Parties:

(i) The Vendor

(ii) The Purchaser

The Properties to be disposed of

The Properties, located at the village committee of Shengli Village, Lishui Town, Nanhai District, Foshan City, Guangdong Province* (廣東省佛山市南海區里水鎮勝利村委會), the PRC, comprise the following:

(i) the land use rights to certain collective construction lands (集體建設用地) (collectively, the "**Lands**") being industrial land (工業用地), with an aggregate land area (土地面積) of approximately 404 mu (equivalent to approximately 269,570.4 sq.m.), comprising the following:

(a) a plot of land with a land area (土地面積) of approximately 132 mu (equivalent to approximately 88,075.0 sq.m.) ("**Land No. 1**") with a term ending 31 December 2053;

(b) a plot of land with a land area (土地面積) of approximately 56 mu (equivalent to approximately 37,533.8 sq.m.) ("**Land No. 2**") with a term ending 31 December 2053;

(c) a plot of land with a land area (土地面積) of approximately 57 mu (equivalent to approximately 38,317.4 sq.m.) ("**Land No. 3**") with a term ending 31 December 2053;

(d) a plot of land with a land area (土地面積) of approximately 104 mu (equivalent to approximately 69,071.0 sq.m.) ("**Land No. 4**") with a term ending 31 December 2053; and

(e) a plot of land with a land area (土地面積) of approximately 55 mu (equivalent to approximately 36,573.2 sq.m.) ("**Land No. 5**") with a term ending 28 February 2054; and

(ii) certain buildings located on the Lands (collectively, the "**Buildings**") with an aggregate area of structure (建築面積) of approximately 136,811.7 sq.m., comprising the following:

(a) a single-storey factory building (used by the Group for the storage of raw materials) with an area of structure (建築面積) of approximately 103,331.7 sq.m. located on Land No. 1; and

(b) a single-storey factory building (used by the Group for the storage of raw materials) with an area of structure (建築面積) of approximately 33,480 sq.m. located on Land No. 5,

together with any attachments, roads, green areas, water and electricity facilities, etc. located on the Properties.

According to the unaudited consolidated management accounts of the Group as at 31 March 2019, the carrying value of the Properties is approximately RMB151.0 million. The Properties are used by the Group for the storage of raw materials and not for the production of the Group's products, and, accordingly, no revenue was generated from the Properties for the two years ended 31 December 2018.

Disposal Consideration and basis of determination of Disposal Consideration

The aggregate consideration for the Disposal is RMB450 million (equivalent to approximately HK$511,900,000) (the "**Disposal Consideration**"), which shall be settled by the Purchaser in cash by bank transfer in the following manner:

(i) as to RMB250 million (equivalent to approximately HK$284,400,000), within two business days from the signing of the Transfer Agreement (such amount has been received by the Vendor as at the Latest Practicable Date). Within two business days after the receipt of the said amount, the Parties shall jointly proceed with the registration procedures in respect of the transfer of the Properties at the real estate registration authority of Nanhai District, Foshan City* (佛山市南海區不動產登記機構) and the relevant tax department; and

(ii) as to the remaining RMB200 million (equivalent to approximately HK$227,500,000), after the completion of all the procedures for the transfer of the Properties at the real estate registration authority of Nanhai District, Foshan City* (佛山市南海區不動產登記機構) under the name as designated by the Purchaser, of which: (a) RMB150 million (equivalent to approximately HK$170,600,000) shall be paid within three business days after the obtaining of the land use certificates (土地使用證) and property ownership certificates (房產證) in respect of Lands No. 2 to 5 and the relevant Building located thereon by the Purchaser; and (b) RMB50 million (equivalent to approximately HK$56,900,000) shall be paid within three business days after the obtaining of the land use certificate (土地使用證) and property ownership certificate (房產證) in respect of Land No. 1 and the relevant Building located thereon by the Purchaser (such amount has been received by the Vendor as at the Latest Practicable Date). In the event that the Vendor fails to effect the said registration in respect of the transfer of the Properties in accordance with the Agreement, the Purchaser shall have the right to terminate the Transfer Agreement, in which event the Vendor shall refund all or part of the Disposal Consideration received (all the Disposal Consideration has been received by the Vendor as at the Latest Practicable Date) to the Purchaser, together with the expenses incurred by the Purchaser in respect of the Disposal and the relevant interest (at the monthly rate of 3% from the date of receipt of the relevant portion of Disposal Consideration) and compensation (in the amount of 20% of the Disposal Consideration) (such interest and compensation were determined after arms' length negotiation with the Purchaser taking into account the cost of funds of the Vendor and the Purchaser's expected return of not less than 20% on the fund possession fee (資用佔用費)) under the Transfer Agreement. As at the Latest Practicable Date, all the said land use certificates (土地使用證) and property ownership certificates (房產證) for the Properties have been obtained by the Purchaser.

The Disposal Consideration has been determined after arm's length negotiations between the Parties with reference to the abovementioned carrying value of the Properties as at 31 March 2019 and the value of the Properties as at 26 April 2019 of approximately RMB354.7 million (equivalent to approximately HK$403,500,000) according to the preliminary valuation by the Valuer, the report of the same in compliance with the requirements under Chapter 5 of the Listing Rules is set out in Appendix I to this circular. On the basis of the above, the Directors are of the view that the Disposal Consideration and the abovementioned terms in respect of the refund of the Disposal Consideration and the relevant interest and compensation are fair and reasonable.

Condition precedent

Completion of the Transactions shall be conditional upon the approval of the Transfer Agreement, the Relocation Compensation Agreement and the Transactions by the Shareholders at the EGM having been obtained. In the event that the Transactions could not be completed, the Company would continue to use the Properties as storage facilities.

Other terms

Vacant possession of Lands No. 3 to 5 and the relevant Building located thereon shall be delivered to the entity designated by the Purchaser before 15 October 2019; while that of Lands No. 1 and 2 and the relevant Building located thereon shall be delivered to the entity designated by the Purchaser before 1 March 2020.

3. RELOCATION COMPENSATION

A summary of the salient terms of the Relocation Compensation Agreement (being supplemental to the Transfer Agreement) is set out below.

Date

21 May 2019

Parties

(i) The Vendor

(ii) The Purchaser

Relocation and Relocation Compensation

A compensation (the "**Relocation Compensation**") in the amount of RMB358 million (equivalent to approximately HK$407,300,000) shall be paid by the Purchaser to the Vendor for the relocation (the "**Relocation**") of certain machineries, inventories and facilities, etc. on the Properties prior to the delivery of Properties to the Purchaser in accordance with the Transfer Agreement.

The Relocation Compensation shall be settled by the Purchaser in cash by bank transfer in the following manner:

(i) as to RMB50 million (equivalent to approximately HK$56,900,000), within three business days after the obtaining of the land use certificates (土地使用證) and property ownership certificates (房產證) in respect of all the Lands and Buildings under the name as designated by the Purchaser (such amount has been received by the Vendor as at the Latest Practicable Date);

(ii) as to RMB230 million (equivalent to approximately HK$261,700,000), within 30 days after the payment of the portion of Relocation Compensation under paragraph (i) above (of which the amount of RMB101.8 million has been received by the Vendor as at the Latest Practicable Date); and

(iii) as to the remaining RMB78 million (equivalent to approximately HK$88,700,000), within three business days after the delivery of all the Lands and Buildings to the Purchaser (after deduction of all the relevant taxes and fees (if any) which have been paid by the Purchaser on behalf of the Vendor in relation to the Disposal.

The Relocation Compensation was arrived at after arm's length negotiations between the Vendor and the Purchaser taking into account factors including (i) the estimated expenses to be incurred by the Group for the Relocation in the amount of approximately RMB20 million, which mainly comprise costs of disassembling, transporting and reassembling machineries and equipment; costs of replacing machineries and equipment that cannot be transported to the Group's other storage facilities. The costs of disassembling, transporting, reassembling and replacing machineries and equipment are assessed based on estimated transportation and engineering costs involved in the Relocation; and (ii) the estimated cost of approximately RMB100 million in respect of the acquisition of land in the similar area of Land No. 1 and Land No. 5 and construction cost of approximately RMB140 million of the new storage facilities in the total amount of approximately RMB240 million on the assumption that the Group would construct new storage facilities with an area of structure of approximately 136,800 sq.m. as a replacement for the Buildings after the Disposal, with a buffer in the amount of approximately RMB98 million for the said costs and expense, and the historical transactions of the Group in relation to acquisition of land use rights and the recent market transactions of industrial lands in comparable regions (including (i) the Group's acquisition of the entire equity interest in Kechuang, holding the land use rights to a parcel of land located in Sihui City* (四會市), Guangdong Provincial, the PRC, with a total site area of approximately 49,029 sq. m. in 2013 (for details, please refer to the announcement of the Company dated 20 February 2013) and (ii) the acquisitions of the land use rights to industrial lands in Lishui Town, Nanhai District, Foshan City, Guangdong Province, the PRC in the market from 2017 to 2019, including the lands situated at Heshun Guanhe Road* (和順官和路) with a site area of approximately 101,019 sq. m.; Heshun Guanhe Road* (和順官和路) with a site area of approximately 22,769 sq. m.; the North-Ring Extension Line* (環北延線東側) with a site area of approximately 126,563 sq. m.; and Xinlian Village* (新聯村) with a site area of approximately 26,137 sq. m., respectively) and the estimated construction cost of approximately RMB800 to RMB1,000 per sq.m. on the basis of current average market cost of single-storey steel structure plants.

On the basis of the above, the Directors (including the independent non-executive Directors) consider that the Relocation Compensation is fair and reasonable, on normal commercial terms (or better to the Group), and in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Group did not have any plan to acquire any land and construct any facility as a replacement of the Buildings, and expected that the Group will utilize its existing land and building(s) located in Foshan City, Guangdong Province, the PRC as storage facilities in after the Disposal.

The Company understands from its PRC legal advisers that if the Disposal fails to be completed, the Relocation Compensation Agreement (being supplemental to the Transfer Agreement) will be terminated.

Condition precedent

Completion of the Transactions shall be conditional upon the approval of the Transfer Agreement, the Relocation Compensation Agreement and the Transactions by the Shareholders at the EGM having been obtained.

4. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability. It is principally engaged in industry investment, urban construction, provision of financial services and asset management.

The Company understood from publicly available information as at the Latest Practicable Date that the Purchaser was wholly-owned by 粵港澳大灣區產融投資有限公司 (Greater Bay Area Chanrong Investment Company Limited*), which was held by 廣州產融股權投資管理合夥企業(有限合夥) (Guangzhou Chanrong Equity Investment Management Partnership (Limited Partnership)*) as to approximately 18.9% (being its single largest shareholder), which was in turn held (i) as to approximately 33.8% by 河南世紀陽光實業發展有限公司 (Henan Shiji Yangguang Industry Development Company Limited*, the shareholders of which were 許喆 (Xu Zhe*), 石家莊錦庭裝飾工程有限公司 (Shijiazhuang Jinting Decoration Engineering Company Limited*), 石家莊華萬商貿有限公司 (Shijiazhuang Huawan Trading Company Limited*), 河南嘉合泰實業發展有限公司 (Henan Jiahetai Industry Development Company Limited*), 杭州澤世通投資管理有限公司 (Hangzhou Zeshitong Investment Management Company Limited*), 鄭州敦葉貿易有限公司 (Zhengzhou Dunye Trading Company Limited*), 石家莊湖渺商貿有限公司 (Shijiazhuang Humiao Trading Company Limited*), 鄭州金之特商貿有限公司 (Zhengzhou Jinzhite Trading Company Limited*), 陝西樂檬合貿易有限公司 (Shaanxi Lemenghe Trading Company Limited*), 合肥躍啓商貿有限公司 (Hefei Yueqi Trading Company Limited*) and 鄭州賢兵貿易有限公司 (Zhengzhou Xianbing Trading Company Limited*)); and (ii) 浙江國城控股有限公司 (Zhejiang Guocheng Holdings Company Limited*), 成都巨龍投資有限責任公司(Chengdu Julong Investment Company Limited*), 禾田投資集團有限公司 (Hetian Investment Group Company Limited*), 安徽緣綠農業科技有限公司 (Anhui Yuanlv Agricultural Technology Company Limited*), 上海祺銀企業管理諮詢有限公司 (Shanghai Qiyin Enterprise Management Consulting Company Limited*), 北京怡和家投資發展有限公司 (Beijing Yihejia Investment Development Co., Ltd.), 廣州市創舉投資有限公司 (Guangzhou Chuangju Investment Company Limited*), 廣州市鼎誠管理諮詢有限公司 (Guangzhou Dingcheng Management Consulting Company Limited*) and 廣州正晟企業管理有限公司 (Guangzhou Zhengcheng Enterprise Management Company Limited*) as to an aggregate of approximately 66.2%. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and the abovementioned entities and person were Independent Third Parties, and did not have any relationship (business, shareholding or otherwise) with the Company and its connected persons.

5. INFORMATION ON THE GROUP

The Company is an investment holding company and the Group is principally engaged in the design, development, manufacturing and sale of air-conditioning products, which comprise mainly of residential air-conditioners, commercial air-conditioners, as well as parts and components of air-conditioners and other small electrical appliances.

6. FINANCIAL EFFECT OF THE TRANSACTIONS AND INTENDED USE OF PROCEEDS

As a result of the Transactions, the Group is expected to record an unaudited gain before taxation on the Transactions of approximately RMB657.0 million (equivalent to approximately HK$747,400,000), which is calculated on the basis of the aggregate of the Disposal Consideration of RMB450 million and the Relocation Compensation of RMB358 million less the carrying value of the Properties of approximately RMB151.0 million as at 31 March 2019.

According to the unaudited consolidated management accounts of the Group as at 31 March 2019, the Properties are accounted for as fixed assets of the Group with carrying value of approximately RMB151.0 million. Following completion of the Transactions, the above fixed assets of the Group will be reduced by the carrying amounts of the Properties as at the date of completion while the Group's bank balances and cash will be increased by approximately RMB808 million.

Shareholders should note the actual amount of the gain on the Transactions and effect on its assets and liabilities to be recognized in the consolidated financial statements of the Group depends on the net asset value of the Group as at completion of the Transactions and is subject to audit and adjustment (if any), and therefore may be different from the amounts mentioned above.

The Group intends to apply the net proceeds from the Transactions as general working capital, which would enable the Group to strengthen its funding position in anticipation of the upcoming air-conditioning sales peak season. It is expected that in preparation for the said sales peak season, approximately 90% of the proceeds of the Transactions will be utilized in the purchase of raw materials (such as copper, aluminium and plastic chips) and approximately 5% of the proceeds sales promotion and marketing activities (such as placing advertisements and engaging additional sales persons), while the remainder of approximately 5% of such proceeds will be used for other general working capital purposes (such as administration and operation expenses). The demand for air-conditioners is usually higher during summer each year and the Group normally has a higher funding requirement to facilitate production prior to the peak season. Whilst the Board anticipates that capital requirement for the upcoming peak season is in fact comparable to that for the previous year, the decline in the retail sales volume and retails sales amount of the industry as a whole in the second half of 2018 is expected to result in a longer recovery period of the existing trade receivables from the Group's customers, which would in turn affect the level of the cash balance of the Group in recent months. The Group currently has no plans for material investments, acquisition of capital assets or any new business.

7. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Taking into account the Disposal Consideration, the Relocation Compensation and the abovementioned estimated unaudited gain before taxation from the Disposal, the Board considers that the Transactions provide an optimal opportunity for the Group to realise its assets for cash and unlock the value of its investment in the Properties at fair market value. Following completion of the Transactions, the Group expects to record in its consolidated income statement an estimated unaudited gain before taxation of approximately RMB657 million and an increase in cash amount of approximately RMB808 million for its general working capital as mentioned above. Based on the unaudited consolidated management accounts of the Group as at 31 March 2019, the Group's then cash balances amounted to approximately RMB335 million. After the completion of the major disposal of 40% of the Group's commercial air-conditioning business (for details, please refer to the announcement of the Company dated 31 March 2019) and the Transactions, the Directors expect that the Group's unaudited cash balances will be increased to approximately RMB1,347 million (before the application of the proceeds of the said major disposal and the Transactions). The Company intends to apply the proceeds of the Transactions and the major disposal of the commercial air-conditioning segment in the following manner:

- approximately RMB910.8 million for the purchase of raw materials for production purposes (such as copper, aluminium and plastic chips);

- approximately RMB40.4 million in sales promotion and marketing activities (such as placing advertisements and engaging additional sales persons); and

- approximately RMB60.8 million for other general working capital purposes (such as administration and operation expenses) and other expenses.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Transactions are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

8. VALUATION OF THE PROPERTY

The Company has appointed PSA (HK) Surveyors Limited (國眾聯(香港)測量師行有限公司), an independent professional valuer, to value the Properties. Details of the valuation is set out in Appendix I to this circular.

9. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Transactions (on an aggregate basis) is more than 75%, the Transactions constitute a very substantial disposal of the Company under the Listing Rules, and are subject to the applicable reporting, announcement and shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Transactions, and accordingly no Shareholder or his close associates is required to abstain from voting on the resolution to be proposed at the EGM to approve the Transfer Agreement, the Relocation Compensation Agreement and the Transactions.

Chigo Group Holding Limited, being the controlling Shareholder interested in 4,322,234,210 Shares (representing approximately 51.25% of the issued Shares as at the Latest Practicable Date) has undertaken to the Company that it will vote in favour of the resolution approving the Transfer Agreement, the Relocation Compensation Agreement and the Transactions at the EGM.

10. VOTING BY POLL AT THE EGM

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the voting on the resolution at the EGM will be conducted by way of poll.

11. EGM

The notice of the EGM, which contains, inter alia, an ordinary resolution to approve the Transfer Agreement, the Relocation Compensation Agreement and the Transactions, is set out on pages 48 to 49 of this circular.

A form of proxy for use at the EGM is enclosed. If you are not able to attend the EGM, you are requested to complete the form of proxy and return it in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

12. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 August 2019 to Thursday, 8 August 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for voting at the meeting, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 2 August 2019.

13. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Transfer Agreement and the Relocation Compensation Agreement and the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the relevant resolution to approve the same.

14. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Chigo Holding Limited
Li Xinghao
Chairman and Chief Executive Officer

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from PSA (HK) Surveyors Limited, an independent professional valuer, in connection with its valuation as at 13 May 2019 of the Properties.

PSA (HK) Surveyors Limited
國眾聯(香港)測量師行有限公司

国众联集团
GUOZHONGLIAN GROUP

Our Reference No.: V19027/HCH/MYE

PSA (HK) Surveyors Limited
Room 804, 8/F, No. 48-62 Hennessy Road,
Shanghai Industrial Investment Centre,
Wan Chai, Hong Kong

24 July 2019

The Broad of Directors
Chigo Holding Limited
Unit 01, 9th Floor
Greenfield Tower (South Tower)
Concordia Plaza
No. 1 Science Museum Road
Tsimshatsui, Kowloon
Hong Kong

Dear Sirs

Re: Valuation of Two Industrial Complex in Shengli Village, Lishui Town, Nanhai District, Foshan City, Guangdong Province, The People's Republic of China (the "Property")

We refer to the instruction from Chigo Holding Limited (hereinafter refer to the "**Company**") for us to carry out valuation of the property interest located in the People's Republic of China, detail of which are set out in the attached valuation certificate. We confirm that we have made relevant investigation and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 13 May 2019 ("**Valuation Date**").

Valuation Standards and Basis

In valuing the property interest, we have complied with relevant requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the "HKIS Valuation Standards (2017 Edition)" published by the Hong Kong Institute of Surveyors.

Our valuation is conducted on market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard the cost of sale or purchase (or transaction) and without offset any associated taxes or potential taxes.

Valuation Assumptions

Our valuation has been made on the assumption that the owner sell the property on the open market without the benefit of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property was free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Valuation Methodology

In valuing the Property which is held for occupation, we have adopted depreciated replacement cost approach. Depreciated Replacement Cost is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence. In the valuation of the land portion, reference has been made to the standard land price and the sales evidence as available to us in the locality.

Source of Information

We have relied on a considerable extent on the information provided by the Company and have accepted the advice given to us on such matters as tenure, planning approvals, statutory notices, easements, site area, gross floor area, development scheme and all other relevant matters. All documents and contracts are for reference only, while all dimensions, measurements and areas are approximates.

We have had no reason to doubt the truth and accuracy of the information provided to us, which are material to the valuation. We also made enquiries to the Company and being confirmed that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to form an informed opinion and have no reason to doubt any material information hidden.

We have been provided with copies of the title documents relating to the property, however due to the nature of the land registration system in the PRC, we cannot cause searches to be made on the title of the property nor have we scrutinised all the original documents to verify the land use right and encumbrances or to ascertain subsequent amendments, if any, which may not appear on the copies handed to us. In forming our opinion of value of the Property, we have also relied on the legal opinion provided by the Company's PRC legal advisor, Guangdong Bestway Law Office Law (the "**PRC Legal Opinion**").

Property Inspection

The Property was inspected by our Ms. Yu Qiuxia, High Diploma in asset valuation and management, on 26 April 2019. We have inspected the Property to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects.

No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuation is on the basis that these aspects are satisfactory.

Unless stated otherwise, all currencies are in Renminbi ("**RMB**").

We enclose herewith our valuation certificate.

Yours Faithfully
For and on behalf of
PSA (HK) Surveyors Limited

Harry Chan FHKIS, MRICS, MCIREA, RPS(GP)
Managing Director
Valuation & Advisory Services

Notes:

Mr. Harry Chan is a Registered Professional Surveyor (General Practice) with over 25 years' experience in asset valuation in Hong Kong and China. Mr. Chan is a fellow member of The Hong Kong Institute of Surveyors, a corporate member of Royal Institution of Chartered Surveyors and a member of China Institute of Real Estate Appraisers and Agents.

Encl.

VALUATION CERTIFICATE

Property	Description and Tenure	Details of Occupancy	Capital Value in Existing State as at 13 May 2019
Two Industrial complex located at Shengli Village, Lishui Town, Nanhai District, Foshan City, Guangdong Province, The People's Republic of China	The Property comprises two blocks of single-storey industrial buildings with total gross floor area of approximately 136,811.66 square metre. The Property occupied five parcels of lands with total site area of approximately 269,346.88 square metre. The buildings of the Property were built in 2004 and 2013. The land use right of the Property is held for industrial use for a term of expiring on 31 December 2053 and 28 February 2054.	As at the valuation date, the Property was self-occupied for warehouse use.	RMB354,600,000 (Renminbi Three Hundred Fifty-Four Million Six Hundred Thousand only)

Notes:

1. According to the following realty title certificate and land use certificates, the Property has been granted to 廣東志高空調有限公司 (Guangdong Chigo Air-conditioning Co., Limited), key information of the certificates is shown below:

Certificate Number	Land Use	Expiry Date	Site Area（m^2）
Yue (2019) Fo Nan Realty Title No. 0082512	Industrial	31 December 2053	125,385.28
Fo Fu Nan Ji Yong (2010) No. 0800562	Industrial	31 December 2053	38,317.40
Fo Fu Nan Ji Yong (2010) No. 0800558	Industrial	31 December 2053	69,071.00
Fo Fu Nan Ji Yong (2007) No. 0800125	Industrial	28 February 2054	36,573.20

2. According the following realty title certificate and real estate ownership certificates, the registered owner of the Property is 廣東志高空調有限公司. The information of the certificates is summarized below:

Certificate Number	Use	GFA (m^2)
Yue (2019) Fo Nan Realty Title No. 0082512	Industrial	103.331.66
Yue Real Estate Certificate Zi No. C5482100	Industrial	33.480.00
	Total:	**136,811.66**

3. The opinion of the legal adviser on the PRC laws states that:

   a) 廣東志高空調有限公司 has obtained valid land use certificates, realty title certificate and real estate ownership certificates and legally holds the property title of land use rights of the Property.

   b) 廣東志高空調有限公司 has proper legal right to occupy, use, receive income and dispose of the Property.

c) The construction and current use of the Property comply with local regulations.

d) The Property is not subject to mortgage.

4. The current use of the Property complies with the town planning use.

1. FINANCIAL INFORMATION

The financial information of the Group for each of the years ended 31 December 2016, 2017 and 2018 are disclosed in the following documents which have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (www.china-chigo.com or www.irasia.com/listco/hk/chigo/index.htm):

- Annual report of the Company for the year ended 31 December 2018 published on 26 April 2019 (pages 57 to 152)
- Annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 62 to 132)
- Annual report of the Company for the year ended 31 December 2016 published on 25 April 2017 (pages 59 to 132)

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 May 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular. The Group had outstanding indebtedness as follows:

Bank borrowings, other borrowings, loan from the controlling shareholder, payables to third parties and loan from a related party:

At 31 May 2019, the Group had:

(a) bank borrowings of RMB1,617,867,000 which were unsecured and unguaranteed;

(b) bank borrowings of RMB46,364,000 which were unguaranteed and secured by bank acceptance bills of the Group;

(c) bank borrowings of RMB548,000,000 which were unsecured and guaranteed by controlling shareholder;

(d) bank borrowings related to bills discounted with recourse of RMB534,898,000, which were unguaranteed and secured by bills receivables of the Group;

(e) other borrowings of RMB48,329,000 which were unsecured and unguaranteed;

(f) other borrowing of RMB48,923,000 which was secured by a refundable security deposit of the Group and guaranteed by the Company;

(g) other borrowing of RMB28,016,000 which was secured by a refundable security deposit of the Group and unguaranteed;

(h) loan from the controlling shareholder of RMB110,000,000 which was unsecured and unguaranteed;

(i) payables to third parties of RMB65,000,000 which were unsecured and unguaranteed; and

(j) loan from a related party of RMB20,000,000 which was unsecured and unguaranteed.

Lease liabilities:

As at 31 May 2019, we, as a lessee, had outstanding lease payments which represented undiscounted unpaid lease payments for the remaining terms of relevant lease agreements (excluding our contingent rental arrangements) in an aggregate amount of RMB1,580,941,000, of which RMB218,483,000 is secured by rental deposits and guaranteed by the Company or a subsidiary of the Company, RMB1,215,095,000 is secured by rental deposits and unguaranteed, RMB5,286,000 is unsecured and guaranteed by the Company, and the remaining RMB142,077,000 is unsecured and unguaranteed.

Financial guarantee:

As at 31 May 2019, the Group provided a financial guarantee in respect of a convertible bond issued by a related party of approximately RMB20,000,000, representing the amount that could be required to be paid if the guarantee was called upon in entirety by the convertible bond holders.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or authorised or otherwise created but unissued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments or contingent liabilities at the close of business on 31 May 2019.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Group since 31 May 2019.

3. WORKING CAPITAL

The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of this circular. The Directors are of the opinion that, after taking into account the cash flows generated from the operating activities, the financial resources presently available to the Group, including available facilities, the assumptions regarding the renewal of financing arrangements of banking facilities, and the estimated net proceeds from the Disposal and Relocation Compensation, the Group has sufficient working capital for its requirements for at least twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the section headed "5. Information of the Group" of the "Letter from the Board" contained in this circular, the Group is principally engaged in the design, development, manufacturing and sale of air-conditioning products, which comprise mainly of residential air-conditioners, commercial air-conditioners, as well as parts and components of air-conditioners and other small electrical appliances.

In view of the volatility of the market in 2019 and the continued impact of the trade war, the domestic sales team of the Group has slightly lowered the marketing growth goal in 2019, and planned to increase sales by improving product structure and lowering cost, in order to increase average price and gain greater gross margins.

The market economy in 2019 is still uncertain. In order to respond to this situation, the Group has implemented internal reforms, such as establishing six profit centres and business departments for the purpose of breaking bad habits in product research and development and internal management and optimizing its operation strategy and costs, in order to boost the confidence of the teams and customers in the development of the Group and to prove itself through performance.

As to overseas markets, the Group expects that local trade risks still exist. The adjustment of the tariff policy resulting from Sino-US trade war has a certain negative impact on China's air-conditioning manufacturers. However, China is the global manufacturing centre of the air-conditioning industry. It is expected that China's air-conditioning industry will not be shaken by these trade frictions in this market position. Chinese brands have comprehensive advantages in technology, products, market, pipeline and manufacturing. The development of Sino-US trade frictions has also brought great uncertainty to the fluctuation of exchange rate. Since the beginning of 2019, the RMB has been appreciating, which will increase the pressure on air-conditioning export enterprises.

In order to respond to all the above situations, the Group will increase research and development investment overseas. Also, the Group will focus on standardized, smart and customized air-conditioning products in the future under the technology development trend, which will be increasingly energy-saving and environmentally-friendly. In addition, under the changing macro-demand, the Group will upgrade from its traditional output capacity, foreign exchange earnings, and Original Equipment Manufacturer model to one focusing on self-brand promotion, technological innovation, local adaptation and so on.

The Group will also closely monitor market trends and explore potential business collaboration opportunities with various domestic and international well-known enterprises.

The Directors believe that the Transactions provide an optimal opportunity for the Group to realise its assets for cash and unlock the value of its investment in the Properties at fair market value given the current uncertainties on the global market environment and operation conditions. The Group intends to apply the net proceeds from the Transactions as general working capital, which would enable the Group to strengthen its funding position in anticipation of the upcoming air-conditioning sales peak season. In addition, the Group is able to realise part of its assets through the Transaction, which, the Board considers, by taking into account abovementioned unaudited gain as a result of the Transactions, represents a satisfactory gain over the carrying value of the Properties. With a focus on the business development of the residential air-conditioning business and an increase in liquidity of the Group following the Transactions, the Group will re-organise and integrate its supply chain, rectify existing domestic air-conditioning manufacturing lines and production process, and remove redundant and low efficiency production links to reduce production costs. In addition, in terms of sales, the Group will reorganise customer orders, optimise sales teams, reduce expenses and strive to improve profitability. The Group expects that through the aforementioned measures, the operating performance in respect of residential air-conditioners will improve and in turn lead the Group back on the right track of positive operating income and performance as soon as possible.

The Group had been conducting a strategic review of the utilisation, potential and value of its noncore and under-utilised assets, and had entered into a sale and purchase agreement in respect of the disposal of 40% of the issued share capital of Chigo Heating & Ventilation on 30 March 2019, the details of which are set out in the Company's announcement dated 30 March 2019. Save as disclosed, the Group has not entered into any agreement, arrangement or undertaking, and has no intention to (i) acquire any new business or (ii) dispose of and/or downsize its existing business or material operating assets.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

There will be no change to the principal business of the Remaining Group as a result of the Transactions. After the completion of the Transactions, the Remaining Group will continue to be principally engaged in the design, development, manufacturing and sale of air-conditioning products, which comprise mainly of residential air-conditioners, commercial air-conditioners, as well as parts and components of air-conditioners and other small electrical appliances.

Set out below is the management discussion and analysis on the Remaining Group for each of the three years ended 31 December 2018:

(a) For the year ended 31 December 2018

(i) Business review

In the first half of 2018, China's air-conditioning products became more and more popular in the third and fourth-tier markets, and the market saw a continued increase in demand. In China, consumers' demands and choices for air-conditioning products were also more refined than before. Air-conditioning manufacturers took advantage of this opportunity to develop new consumer networks and end-user markets. Through adopting relevant promotional activities and brand publicity means, such products maintained growth in the domestic market, and recorded a year-on-year sales growth compared to last year. However, the air-conditioning product market witnessed a growth slowdown due to two important factors, namely, the lack of widespread hot weather and the underperformance of China's real estate market due to purchase restrictions. The air-conditioning products market witnessed a favourable operating environment at the beginning of 2018. However, after entering the second half, this environment reversed. Due to the continuous control over the real estate market by the Chinese government and the uncertain impact of trade friction between China and the United States, consumers and customers were not optimistic about the market. Consumption intentions and order-placing plans suddenly became cautious and conservative, resulting in a decline in the market performance. Due to the worsening market climate, competition in the air-conditioning industry became increasingly fierce, which generated a pressure on the price of air-conditioning products, resulting in a slight year-on-year decline in annual sales.

In view of the dramatic changes in the business environment in 2018, the domestic sales team of the Remaining Group adopted flexible business strategies and continued to adhere to promoting "monthly promotions and weekly discounts" activities, so as to reduce inventories and stimulate sales. The Remaining Group also strived to open up new consumer networks and end-user markets, while starting new retail markets at the same time. During the reporting period, in order to promote sales, the Remaining Group has implemented a pilot online wholesale strategy in some parts of the country.

As to export of air-conditioning products, according to market data, the Chinese overall market registered a year-on-year growth both in export volume and export sales in 2018.

For the year ended 31 December 2018, the continuous increase in labour costs, raw material costs and logistics costs has caused the Remaining Group to increase its export price of air-conditioning products. This has prevented the growth of sales to some extent. In addition, air-conditioning products relied heavily on raw materials. The rising prices of raw materials in China has also increased business risks and pressure. Furthermore, changes in the structure of air-conditioning products, low-price competition among enterprises and other factors have also led to a decline in the average export price. The rising costs and falling export prices have further narrowed air-conditioning export enterprises' profit margins.

Since the beginning of 2018, the fluctuation of RMB exchange rate has brought more challenges to export enterprises. In the short run, the depreciation of RMB (the decline in exchange rate) will bring certain price advantages to the export of household air-conditioning products. In the short run, it can enlarge the profit margin in the export of household air-conditioning products, enhance the international competitiveness of such products, and thus to a certain extent, expand the export volume which may, in turn, increase export orders. However, in the long run, the continued depreciation of RMB will increase the bargaining pressure of export enterprises, which is not conducive to the long-term planning of enterprises, and will cause the cost of overseas importers to rise.

In addition, the uncertainty of the areas to which air-conditioning products were exported during the reporting period, such as political changes in the Middle-East, also hindered the development of the local market, resulting in a year-on-year decline in the volume of air-conditioning products exported to the region.

The main business strategies adopted by the Remaining Group in export include (1) giving priority to profits and taking into account the scale of sales; quickly adjusting its price strategy and appropriately reducing orders which will bring loss, especially through strengthening the control over the number of orders from low-price regions; (2) strengthening the products, and maintaining investment. The Remaining Group saw a significantly-increased sales share of its new series products. According to the different consumption habits and energy efficiency requirements of the markets of different countries, the Remaining Group continuously increased investments in research and development of inverter technology, speeded up research and development of environmentally-friendly refrigerant products, and developed more suitable products for different markets; (3) optimizing the layout to ensure the completion of the key tasks. The Remaining Group, in a timely manner, made adjustments to its marketing strategy and market layout to maintain its sales in Latin American and North American markets; (4) enhancing brand image and promoting development. The Remaining Group developed more diversified independent brand products to enhance brand influence, which had driven the rise of the gross profit and the increase in OEM brand sales; and (5) strengthening internal capability and enhancing management. The Remaining Group has always regarded quality as the lifeline of enterprises, and its goal is to create world-class quality. In recent years, through the help of production system and the improvement of product quality system, the quality of the Remaining Group's product has improved comprehensively.

Throughout the year 2018, the Remaining Group's commercial air-conditioning sector continued to maintain good performance. The Remaining Group recorded a decent growth in all aspects, i.e. sales volume, amount of sales, average unit price of products, and product profits in respect of this sector, which has made a good contribution to the Remaining Group's performance for the year ended 31 December 2018.

(ii) Liquidity, financial resources and capital structure

The funding policy of the Remaining Group is to secure sufficient funding to meet its working capital requirements and to maintain smooth operations. The Remaining Group will also utilise different equity and debt instruments of different tenures 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 Remaining Group are located in the PRC, financial resources are centralised in the headquarters of the Remaining Group for efficient allocation. The Remaining 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 Remaining Group's finance and treasury departments, will closely monitor the market conditions and the needs of the Remaining Group when implementing the Remaining Group's funding and treasury policies.

As at 31 December 2018, the Remaining Group had current assets amounted to RMB8,287.7 million (2017: RMB8,820.0 million) and current liabilities amounted to RMB8,030.8 million (2017: RMB8,047.5 million). The Remaining Group's working capital decreased by RMB515.6 million or 66.7% from RMB772.5 million as at the end of 2017 to RMB256.9 million at the end of 2018. Due to the decrease in the Remaining Group's net current assets, current ratio declined to 1.0 times (2017: 1.1 times) as at 31 December 2018.

The Remaining Group experiences a certain degree of seasonal fluctuations in its air-conditioning business. Accordingly, the Remaining 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 Remaining Group normally experiences temporarily higher funding requirements in the middle and at the end of each year.

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

In 2018, the Remaining Group had obtained funding for its business operation from different financial arrangements including bank loans and funding from finance lease. As at 31 December 2018, the balances of short-term and long-term borrowings utilised by the Remaining Group were RMB1,733.3 million and RMB16.2 million respectively (2017: RMB1,807.1 million and RMB75.6 million respectively). Short-term and long term borrowings decreased by RMB73.8 million and RMB59.4 million respectively during the year. The borrowings 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.

For the year ended 31 December 2018, the Remaining Group also enhanced its working capital position and obtained medium term financing by entering into finance lease arrangements. As at the end of 2018, the Remaining Group had an obligation under finance leases of approximately RMB201.3 million (2017: RMB255.8 million).

The gearing ratio (calculated as interest-bearing loans and other borrowings to total assets) of the Remaining Group decreased slightly to 19.5% as at 31 December 2018 (2017: 20.2%) during the year.

In order to reduce finance costs, the Remaining Group arranged some of its borrowings by obtaining bank loans which are denominated in foreign currency and offered at lower lending rates during the year. Both short-term and long-term borrowings had been used and provided the Remaining Group with a better mix of debt financing to fund its business operation. During the year, due to the higher average balance of borrowing, the Remaining Group increased its finance cost by 19.9% or RMB30.7 million for the year ended 31 December 2018 as compared to the same period in 2017.

Since the Remaining Group recorded a net loss for the year, the Remaining Group's ability to meet finance costs, as indicated by interest cover, dropped and deteriorated during the reporting period (2018: N/A, 2017: 1.4 times).

During the year, the Remaining Group entered into certain foreign currency forward contracts to hedge against part of its exposure on potential variability of foreign currency risk. The net financial exposure of the Remaining Group to these foreign currency financial instruments was net assets of approximately RMB4.1 million (2017: nil) as at the year end.

As at 31 December 2018, 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 Remaining Group recorded a net loss for the year, the shareholders' equity decreased to RMB1,798.0 million as at 31 December 2018 (2017: RMB2,311.7 million).

Other than the above, there were no other equity or debt instruments issued by the Company during the reporting period and at the end of 2018.

(iii) Material acquisitions and disposals, significant investments

The Remaining Group had not made any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2018. During and as at the end of the reporting period, the Remaining Group had not held any significant investments.

(iv) Charge on assets

As at 31 December 2018, certain bank deposits, bank acceptance bills and inventories of the Remaining Group in an aggregate carrying amount of approximately RMB1,114.7 million (2017: RMB1,255.4 million) were pledged to certain banks for securing the banking facilities granted to the Remaining Group.

(v) Exposure to fluctuations in exchange rates

During the year ended 31 December 2018, approximately 39% of the Remaining Group's sales were denominated in currencies other than Renminbi, predominantly the US dollar, whilst most of the costs and expenses incurred by the Remaining Group were denominated in Renminbi. In this regard, the Remaining Group may be exposed to foreign currency risks. During the reporting period, the Remaining Group had entered into certain foreign currency forward contracts to hedge against foreign exchange risk. Since Renminbi had depreciated against the US dollar during the year, the Remaining Group recorded net exchange gains for the year ended 31 December 2018.

During and as at the end of the reporting period, most of the assets and liabilities of the Remaining Group were denominated in Renminbi. The Directors believe that the Remaining Group's exposure to exchange rate fluctuations is minimal as most of its business transactions, assets and liabilities are principally denominated in Renminbi.

The management of the Remaining Group will continue monitoring its foreign currency exposure from time to time and will consider further hedging should the need arise.

(vi) Capital commitments

As at 31 December 2018, the Remaining Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisitions of property, plant and equipment and capital contribution to subsidiaries amounted to approximately RMB87.5 million (2017: approximately RMB76.4 million). The Remaining Group expects that the capital commitments will be funded by internal resources and/or external finance from financial institutions.

(vii) Contingent liabilities

The Remaining Group did not have any significant contingent liabilities as at 31 December 2018.

(viii) Employees and remuneration

As at 31 December 2018, the Remaining Group employed 11,454 employees (2017: 12,869 employees). The employees of the Remaining Group are remunerated based on their performance, experience and prevailing industry practices. Compensation packages are reviewed on a yearly basis. The Remaining Group also provides its employees with welfare benefits including medical care, meal subsidies, education subsidies and housing etc.

(ix) Outlook and future plans

In view of the volatility of the market in 2019 and the continued impact of the trade war, the domestic sales team of the Remaining Group has slightly lowered the marketing growth goal in 2019, and plans to increase sales by improving product structure and lowering cost, in order to increase average price and gain greater gross margins.

The market economy in 2019 is still uncertain. In order to respond to this situation, the Remaining Group has implemented internal reforms, such as establishing six profit centres and business departments for the purpose of breaking bad habits in product R&D and internal management and optimizing its operation strategy and costs, in order to boost the confidence of the teams and customers in the development of the Remaining Group and to prove itself through performance.

As to overseas markets, the Remaining Group expects that local trade risks still exist. The adjustment of the tariff policy resulting from Sino-US trade war has a certain negative impact on China's air-conditioning manufacturers. However, China is the global manufacturing centre of the air-conditioning industry. It is expected that China's air-conditioning industry will not be shaken by these trade frictions in this market position. Chinese brands have comprehensive advantages in technology, products, market, pipeline and manufacturing. The development of Sino-US trade frictions has also brought great uncertainty to the fluctuation of exchange rate. Since the beginning of 2019, the RMB has been appreciating, which will increase the pressure on air-conditioning export enterprises.

In order to respond to all the above situations, the Remaining Group will increase research and development investment overseas. Also, the Remaining Group will focus on standardized, smart and customized air-conditioning products in the future under the technology development trend, which will be increasingly energy-saving and environmentally-friendly. In addition, under the changing macro-demand, the Remaining Group will upgrade from its traditional output capacity, foreign exchange earnings, and OEM model to one focusing on self-brand promotion, technological innovation, local adaptation and so on. At present, since it is the traditional peak season for the residential air-conditioning industry, the Group's manufacturing facilities are focused on production and pilling up inventories to meet customers' orders and demand in the next few months. The Directors expect to conduct a comprehensive review of the Group's production facilities and customer base for the residential air-conditioning business after the current refrigeration year (expected to be in the fourth quarter of 2019) with the view to formulating a specific development plan relating to its principal business in the future.

As at 31 December 2018, the Remaining 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.

(b) For the year ended 31 December 2017

(i) Business review

Since the economic environment in the PRC continued to improve in 2017, the purchasing power of consumers increased and the domestic residential air-conditioning market benefited. As consumers pursue quality life, they are more willing to pay for better products with multi-functional features and better services. In the era of intelligence and with the idea of Internet of Things, the market demand for the domestic air-conditioning products has increased gradually during the reporting period.

In addition, as the cost of bulk materials, such as copper prices, rose in 2017, the average price of air-conditioning products also increased gradually. Although the average price of air-conditioning products has risen, due to the favorable economic environment, coupled with the continuing hot weather in China and the recovery of the domestic real estate market, the sales of domestic air-conditioning products rose further.

During the period under review, the Remaining Group made appropriate judgments and determinations in respect of the sales and pricing strategies based on market conditions, including focusing on products and network developments, maintaining online and offline balances, and strengthening sales promotion. Having benefited from the above, during the year ended 31 December 2017, domestic sales and revenue of the Remaining 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, China's residential air-conditioner exports continued its growing trend in 2017. However, due to the impact of the global macroeconomic situation and rising prices of domestic raw materials, the growth rate of residential air-conditioner exports in 2017 has slowed down. However, 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 the Americas experienced a significant increase in the number of days with hot weather, which was favourable to the exports of air-conditioning products.

Since the good sales figures in 2016 led to a low inventory level, overseas customers had to restock during the period under review. As a result, a rapid growth in exports to these European and American markets was recorded during the year ended 31 December 2017. In addition, the continued recovery of the overseas real estate market also drove up the demand for home appliances directly and kept the momentum of growth of air-conditioning products exports.

On the other hand, export sales of residential air-conditioning products to Africa and Asia (excluding the PRC) declined year-on-year. After a year of rapid growth in the African market, export sales began to decline in 2017. 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, governments of certain African countries made efforts to reduce import expenditure and to avoid continuous decline in their foreign exchange reserves so as to ensure economic stability. As such, export of residential air-conditioning in Africa fell in the year ended 31 December 2017.

Entering 2017, there has been a clear growth trend in the commercial air-conditioning market. With consumers becoming more willing to spend on commercial air-conditioning products, and various government policies being promulgated in China that promoted the demand for commercial air-conditioning products, the Remaining Group's commercial air-conditioning unit recorded an impressive growth in both sales volume and revenue in 2017.

(ii) Liquidity, financial resources and capital structure

The funding policy of the Remaining Group is to secure sufficient funding to meet its working capital requirements and to maintain smooth operations. The Remaining Group will also utilise different equity and debt instruments of different tenures 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 Remaining Group are located in the PRC, financial resources are centralised in the headquarters of the Remaining Group for efficient allocation. The Remaining 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 Remaining Group has adopted a prudent financial management approach towards its funding and treasury policies so as to maintain a healthy liquidity position. The management, with the assistance of the Remaining Group's finance and treasury departments, will closely monitor the market conditions and the needs of the Remaining Group when implementing the Remaining Group's funding and treasury policies.

As at 31 December 2017, the Remaining Group had current assets amounted to RMB8,820.0 million (2016: RMB8,351.9 million) and current liabilities amounted to RMB8,047.5 million (2016: RMB7,678.2 million). The Remaining Group's working capital increased by RMB98.9 million or 14.7% from RMB673.7 million as at the end of 2016 to RMB772.6 million at the end of 2017. Despite the Remaining Group's net current assets increased, current ratio remained at 1.1 times (2016: 1.1 times) as at 31 December 2017.

The Remaining Group experiences a certain degree of seasonal fluctuations in its air-conditioning business. Accordingly, the Remaining 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 Remaining Group normally experiences temporarily higher funding requirements in the middle and at the end of each year.

In recent years, the Remaining 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.

In 2017, the Remaining Group had obtained funding for its business operation from different financial arrangements including bank loans and funding from finance lease. As at 31 December 2017, the balances of short-term and long-term borrowings utilised by the Remaining Group were RMB1,807.1 million and RMB75.6 million respectively (2016: RMB1,624.0 million and RMB98.6 million respectively). Short-term borrowings increased by RMB183.1 million and long term borrowings decreased by RMB23.0 million respectively during the year. The borrowings 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 Remaining Group did not have any debentures (31 December 2016: RMB52.3 million) outstanding as at the end of the reporting period.

For the year ended 31 December 2017, the Remaining Group also enhanced its working capital position and obtained medium term financing by entering into finance lease arrangements. As at the end of 2017, the Remaining Group had an obligation under finance leases of approximately RMB255.8 million (2016: RMB265.1 million).

The gearing ratio (calculated as interest-bearing loans and other borrowings to total assets) of the Remaining Group increased slightly to 20.2% as at 31 December 2017 (2016: 19.9%) during the year.

In order to reduce finance costs, the Remaining Group arranged some of its borrowings by obtaining bank loans which are denominated in foreign currency and offered at lower lending rates during the year. Both short-term and long-term borrowings had been used and provided the Remaining Group with a better mix of debt financing to fund its business operation. During the year, due to the higher average balance of borrowing, the Remaining Group increased its finance cost by 2.5% or RMB3.8 million for the year ended 31 December 2017 as compared to the same period in 2016.

Though the Remaining Group recorded a net profit for the year, the Remaining Group's ability to meet finance costs, as indicated by interest cover, decreased to 1.4 times during the reporting period (2016: 1.6 times).

During the year, the Remaining 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 31 December 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 Remaining Group recorded a net profit for the year, the shareholders' equity increased to RMB2,311.7 million as at 31 December 2017 (2016: RMB2,278.5 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 2017.

(iii) Material acquisitions and disposals, significant investments

As the Remaining Group wished to focus on its principal business and foresaw that relevant policies governing insurance agency businesses will be tightened, the Remaining Group had disposed of its 100% equity interest in 廣東業誠保險代理有限公司 (Guangdong Y.C. Insurance Agency Co., Ltd.) ("**Guangdong Y.C.**"), for a consideration of RMB20,020,000 on 28 December 2017. Guangdong Y.C. is engaged in insurance agency activities in the PRC.

Other than the above, the Remaining Group had not made any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2017. As at the end of the reporting period, the Remaining Group did not hold any significant investments.

(iv) Charge on assets

As at 31 December 2017, certain bank deposits of the Remaining Group in an aggregate carrying amount of approximately RMB916.8 million (2016: RMB860.5 million) were pledged to certain banks for securing the banking facilities granted to the Remaining Group.

(v) Exposure to fluctuations in exchange rates

During the year ended 31 December 2017, approximately 40.1% of the Remaining Group's sales were denominated in currencies other than Renminbi, predominantly the US dollar, whilst most of the costs and expenses incurred by the Remaining Group were denominated in Renminbi. In this regard, the Remaining Group may be exposed to foreign currency risks. During the reporting period, the Remaining Group had not entered into any foreign currency forward contracts and derivative financial instruments to hedge against foreign exchange risk. Since Renminbi had appreciated against the US dollar during the year, the Remaining Group recorded net exchange losses for the year ended 31 December 2017.

During and as at the end of the reporting period, most of the assets and liabilities of the Remaining Group were denominated in Renminbi. The Directors believe that the Remaining Group's exposure to exchange rate fluctuations is minimal as most of its business transactions, assets and liabilities are principally denominated in Renminbi.

The management of the Remaining Group will continue monitoring its foreign currency exposure from time to time and will consider further hedging should the need arise.

(vi) Capital commitments

As at 31 December 2017, the Remaining Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisitions of property, plant and equipment and capital, and contribution to subsidiaries amounted to approximately RMB76.4 million (2016: approximately RMB90.3 million). The Remaining Group expects that the capital commitments will be funded by internal resources and/or external finance from financial institutions.

(vii) Contingent liabilities

The Remaining Group did not have any significant contingent liabilities as at 31 December 2017.

(viii) Employees and remuneration

As at 31 December 2017, the Remaining Group employed 12,869 employees (2016: 13,102 employees). The employees of the Remaining Group are remunerated based on their performance, experience and prevailing industry practices. Compensation packages are reviewed on a yearly basis. The Remaining 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, the Remaining Group also has a share option scheme in place in which the employees and directors of the Remaining Group are entitled to participate.

(ix) Outlook and future plans

After the rapid growth of the air-conditioning market last year, the general view of the industry is that the growth rate of the air-conditioning market in 2018 will slow down. By 2018, it is expected that the price of major raw materials will continue to rise, and due to the tightening of state policies, the real estate market will be expected to enter into a down period. In face of these various unfavorable conditions, the profitability of air-conditioning manufacturers will be further compressed. In addition, the excessive release of market consumer demand in the previous years will cause the growth of the air-conditioning market to begin to decline gradually. Combining the above factors, it can be predicted that the air-conditioning industry will enter a weak cycle in 2018. Besides, with the increase in the number of competitors providing smart air-conditioners in China, the overall competition in the industry will become more keen.

The Remaining Group will concentrate its resources and efforts in promoting smart air-conditioning products in 2018. With its innovation capability, the Remaining Group will reinforce its market position as a pioneer in the development of smart air-conditioners.

On the export side, the air-conditioning industry is expected to face more challenges and uncertainties in 2018, including increased macroeconomic uncertainties abroad. With a bearish expectation of the medium-term growth expectations of developed economies and emerging market economies, and the weakening in investments, it is expected that the growth of export demand for air-conditioners will slow down.

In addition, upward fluctuations in major raw material prices and the strong exchange rate of RMB against the U.S. dollar are also detrimental to exports of air-conditioning products. There are fluctuations in steel, copper and aluminum, which have impact on the production costs of air-conditioners manufacturers. It is predicted that the trend of increase in cost of these bulk materials will continue in the coming year, which will affect the profitability of enterprises in the industry.

Furthermore, trade barriers and environmental protection barriers have also impacted exports. Though the export of air-conditioners currently shows a trend of substantial growth, the increasing number in trade barriers and environmental protection barriers will pose challenges to China's air-conditioning industry, hence, there will inevitably be a potential downfall in exports. Coupled with the EU's stricter implementation of carbon reduction targets, there will be a significant increase in procurement costs for customers in EU countries, indirectly increasing production costs for manufacturers at the same time. The pressure of rising costs in these aspects will decrease the demand in the EU market in 2018 and reduce the room for growth.

The Remaining Group expects that the sales scale of its export of air-conditioning products for the year ended 31 December 2018 will be consistent with that of 2017. The Remaining Group will continue to focus on its own brand-building and invest resources and manpower in enhancing brand influence and overseas reputation.

As at 31 December 2017, the Remaining 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.

(c) For the year ended 31 December 2016

(i) Business review

At the beginning of 2016, the macro-economic climate was still not optimistic, hence, enterprises came up with policies to maximize the release of their inventories and the air-conditioning industry continued to be highly competitive. However, with the recovery of the PRC real estate market and benefited from high temperatures in the summer, the air-conditioning industry gradually showed signs of rebound and market conditions started to improve. Coupled with hot waves and extreme high temperature in various overseas regions, the Chinese export of air-conditioners to various continents have achieved different rates of growth during the year. Looking back at 2016, the annual sale volume of the air-conditioning industry showed a poor opening, and then grew gradually and reached a substantial high at the end of the year.

As the domestic air-conditioning market was still challenging in 2016, the Remaining 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 its customers. As such, the domestic sales and the domestic market share of the Remaining Group improved remarkably. Furthermore, the extensively hot summer in China led 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 digest inventories. During the year, the Remaining Group's sales of self-manufactured air-conditioner parts and components rose sharply. As a result, during the year ended 31 December 2016, domestic sales and revenue of the Remaining Group's major air-conditioning products recorded a substantial increase as compared to that of the same period in 2015.

Looking at the overseas markets, the economy and the finance sector of many developing countries were affected by the slow growth of the global economy and the continuous drop in commodity prices, such as the price of crude oil, during the year. In addition, these countries also encountered unfavorable factors including the extreme shortage of foreign currency, the continuous depreciation of their national currencies, as well as a slump in international trade. Among these emerging markets, the economy of 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.

The Remaining Group also recorded a drop in its export to Asia (excluding China) because of the economic downturn, leading to a decline in the average selling price of air-conditioning products in the Middle East during the year. On the contrary, following destocking in 2015 and driven by the demand for replacement of old machines and extreme hot weather conditions, there were rapid growths in the European and African markets. As there was a mixed performance of the overseas markets, the Remaining Group maintained its export sales and achieved a slight growth in 2016 as compared with the same period in 2015.

During the year ended 31 December 2016, the Remaining 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 Remaining Group also increased its investment in product development and strengthened price control during the peak season. On the other hand, the Remaining Group continued to increase its efforts in promoting and strengthening its own brand, "CHIGO", and in product diversification.

After a year of market slowdown, the Chinese commercial air-conditioning industry returned to the growth track in 2016 and the brand competition in the Chinese commercial air-conditioning industry remained relatively stable. During the reporting period, the Remaining Group showed an increase in the sales volume. However, as the average selling price dropped, the revenue of its commercial air-conditioning products recorded a slight decrease.

(ii) Liquidity, financial resources and capital structure

The funding policy of the Remaining Group is to secure sufficient funding to meet its working capital requirements and to maintain smooth operations. The Remaining Group will also utilise different equity and debt instruments of different tenures 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 Remaining Group are located in the PRC, financial resources are centralised in the headquarters of the Remaining Group for efficient allocation. The Remaining 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 Remaining Group's finance and treasury departments, will closely monitor the market conditions and the needs of the Remaining Group when implementing the Remaining Group's funding and treasury policies. As at 31 December 2016, the Remaining Group had current assets amounted to RMB8,351.9 million (2015: RMB8,250.1 million) and current liabilities amounted to RMB7,678.2 million (2015: RMB7,787.7 million). The Remaining Group's working capital increased by RMB211.4 million or 45.7% from RMB462.3 million as at the end of 2015 to RMB673.7 million as at the end of 2016. Despite the Remaining Group's net current assets increased, current ratio remained at 1.1 times (2015: 1.1 times) as at 31 December 2016.

The Remaining Group experiences a certain degree of seasonal fluctuations in its air-conditioning business. Accordingly, the Remaining 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 Remaining Group normally experiences temporarily higher funding requirements in the middle and at the end of each year.

In recent years, the Remaining 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.

In 2016, the Remaining Group had obtained funding for its business operation from different financial arrangements including bank loans, debentures and funding from finance lease. As at 31 December 2016, the balances of short-term and long-term bank loans utilised by the Remaining Group were RMB1,624.0 million and RMB98.6 million respectively (2015: RMB1,402.2 million and RMB6.2 million respectively). Short-term and long term bank loans increased by RMB221.8 million and RMB92.4 million during the year. 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. As at the end of the reporting period, the Remaining Group had an outstanding current portion of long-term debentures of approximately RMB52.3 million (2015: long-term debentures of RMB207.6 million).

For the year ended 31 December 2016, the Remaining Group also enhance its working capital position and obtained medium term financing by entered into finance lease arrangements. As at the end of 2016, the Remaining Group had obligation under finance lease of approximately RMB265.1 million (2015: RMB162.6 million).

The gearing ratio (calculated as interest-bearing loans and other borrowings to total assets) of the Remaining Group increased to 19.9% as at 31 December 2016 (2015: 17.4%) because the Remaining Group's total borrowings increased substantially by RMB196.5 million during the year.

In order to reduce finance costs, the Remaining Group arranged some of its borrowings by obtaining bank loans which are denominated in foreign currency and offered at lower lending rates during the year. Both short-term and longterm borrowings had been used and provided the Remaining Group with a better mix of debt financing to fund its business operation. During the year, due to the reduced average balance of borrowing and average interest rate on borrowings reduced, the Remaining Group decreased its finance cost by 19.3% or RMB36.0 million for the year ended 31 December 2016 as compared to the same period in 2015.

Since the Remaining Group recorded a net profit for the year, the Remaining Group's ability to meet finance costs, as indicated by interest cover, improved to 1.6 times during the reporting period (2015: N/A).

During the year, the Remaining Group entered into certain foreign currency forward contracts or derivative financial instruments to hedge against part of its exposure on potential variability of foreign currency risk. There was no foreign currency financial instruments outstanding as at the year end (2015: net liabilities of RMB33.1 million).

As at 31 December 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 Remaining Group recorded a net profit for the year, the shareholders' equity increased to RMB2,278.5 million as at 31 December 2016 (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 2016.

(iii) Material acquisitions and disposals, significant investments

The Remaining Group had not made any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2016. As at the end of the reporting period, the Remaining Group did not hold any significant investments.

(iv) Charge on assets

As at 31 December 2016, certain bank deposits of the Remaining Group in an aggregate carrying amount of approximately RMB860.5 million (2015: RMB910.4 million) were pledged to certain banks for securing the banking facilities granted to the Remaining Group.

(v) Exposure to fluctuations in exchange rates

During the year ended 31 December 2016, approximately 42.2% of the Remaining Group's sales were denominated in currencies other than Renminbi, predominantly the US dollar, whilst most of the costs and expenses incurred by the Remaining Group were denominated in Renminbi. In this regard, the Remaining Group may be exposed to foreign currency risk. During the reporting period, the Remaining Group had entered into certain foreign currency forward contracts and derivative financial instruments to hedge against foreign exchange risk. Since the exchange rate of Renminbi against the US dollar was relatively stable during the year, the Remaining Group gained on the foreign currency forward contracts upon settlement. All the foreign currency forward contracts were settled and there were no foreign currency financial instruments outstanding as at the year end. The Directors believe that the Remaining Group's exposure to foreign currency risks was not significant.

During and as at the end of the reporting period, most of the assets and liabilities of the Remaining Group were denominated in Renminbi. The Directors believe that the Remaining Group's exposure to exchange rate fluctuations is minimal in this respect.

The management of the Remaining Group will continue monitoring its foreign currency exposure from time to time and will consider further hedging should the need arise.

(vi) Capital commitments

As at 31 December 2016, the Remaining Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment and capital and contribution to subsidiaries amounted to approximately RMB90.3 million (2015: approximately RMB98.6 million). The Remaining Group expects that the capital commitments will be funded by internal resources and/or external finance from financial institutions.

(vii) Contingent liabilities

The Remaining Group did not have any significant contingent liabilities as at 31 December 2016.

(viii) Employees and remuneration

As at 31 December 2016, the Remaining Group employed 13,102 employees (2015: 13,084 employees). The employees of the Remaining Group are remunerated based on their performance, experience and prevailing industry practices. Compensation packages are reviewed on a yearly basis. The Remaining 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, the Remaining Group also has a share option scheme in place in which the employees and directors of the Remaining Group are entitled to participate.

(ix) Outlook and future plans

The improvement of the business environment of the domestic air-conditioning market in 2016 is a favorable factor for the development of air-conditioning industry in 2017.

With the continuous improvement of national consumption level, Chinese consumers have higher demands and more expectations for air-conditioning products. Intelligence, personalised functions, health enhancements and comfort are the focus of consumers' attention. Accordingly, the market share of the smart air-conditioning products, accounting for the proportion of the overall domestic air-conditioning market sales, continued to rise throughout 2016. It is expected that the smart air-conditioners will continue to be the growth driver of the PRC air-conditioning industry in 2017. As more companies begin to enter the smart air-conditioning market, the competition between different intelligent air-conditioning brands is expected to increase and will become intense in 2017.

In 2016, one of the reasons for the sales growth in the air-conditioning industry was the hot climate. Despite the fact that the pressure of the inventory on domestic air-conditioning industry significantly reduced, new consumption is still weak. As such, the domestic economic environment does not have the conditions to support an obvious growth in consumer demand in 2017.

The Remaining Group will concentrate its resources and efforts on promoting intelligent air-conditioning products in 2017. With its innovation capability, the Remaining Group will reinforce its market position as a pioneer in the development of smart air-conditioners. The management is confident that the business development of the Remaining Group in 2017 will benefit from the improving market conditions.

The Remaining Group collaborated with its customers to implement terminal promotional activities and obtained satisfactory results in 2016. Inventories of the Remaining Group were released and a good foundation was laid to boost the sales for the coming year. The Remaining Group will continue its strategy of terminal sales and reasonable inventory control with an aim to increase its market share and operation scale in the coming seasons.

After the moderate devaluation in the past two years, the exchange rate of Renminbi has stabilized. A weaker renminbi relative to the US dollars has made Chinese air-conditioners even more competitive in terms of price and is favourable to the air-conditioning export enterprise as there is a positive impact on their revenue. Since the majority of overseas orders are settled in US dollars, the devaluation of the Renminbi would mean that air-conditioning enterprises could get more exchange gains. As such, export enterprises will strengthen their export efforts.

Following the gradual recovery of the world economy, overseas demand for air-conditioning products rose gradually. It is expected that in 2017, except for the Latin American market, various overseas regions will achieve a different range of growth. In terms of competitiveness, Chinese air-conditioning products are very competitive as they account for a major share in the global market and are irreplaceable by other products in the short term. While the current exchange rate of Renminbi declines and remains low, it will enhance the competitiveness of Chinese air-conditioning products. Despite the expectations that the overseas market will remain prosperous for the year ending 31 December 2017, the global economy is still full of political and economic uncertainties. Therefore, the Remaining Group will aim at maintaining steady growth in exports and strengthening the promotion of its own brand “Chigo”.

As at 31 December 2016, the Remaining 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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or, the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held(1)	Approximate percentage of shareholding(2)
Mr. Li Xinghao	Interest of controlled corporation(3)	4,322,234,210	51.25%
	Beneficial owner	1,494,000	0.02%
Ms. Li Xiuhui	Beneficial owner	25,256,000	0.30%
Ms. Huang Guijian	Beneficial owner	2,700,000	0.03%

Notes:

(1) All the above Shares are held in long position (as defined under Part XV of the SFO).

(2) The percentages disclosed were calculated based on the total number of issued Shares of the Company as at the Latest Practicable Date, i.e. 8,434,178,000 Shares.

(3) Mr. Li Xinghao held 99.46% equity interest in Chigo Group Holding Limited. Under the SFO, Mr. Li Xinghao was deemed to be interested in all the Shares held by Chigo Group Holding Limited.

Long positions in the shares of associated corporation

Name of Director	Associated corporation	Capacity	Number of issued ordinary shares held	Approximate percentage of shareholding
Mr. Li Xinghao	Chigo Group Holding Limited	Beneficial owner	9,946.1036	99.46%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Long positions in the Shares

Name of Shareholder	Capacity	Number of Shares held(1)	Approximate percentage of shareholding(2)
Chigo Group Holding Limited	Beneficial owner	4,322,234,210	51.25%

Notes:

(1) All the above Shares were held in long position (as defined under Part XV of the SFO).

(2) The percentages disclosed were calculated based on the total number of issued Shares of the Company as at the Latest Practicable Date, i.e. 8,434,178,000 Shares.

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, there was no other person, other than the Directors or chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors held offices in the substantial Shareholders set out above:

Name of Director	**Position held in the relevant substantial Shareholders**
Li Xinghao	Director of Chigo Group Holding Limited

4. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

(a) None of the Directors or proposed Directors has entered or proposed to enter into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).

(b) As at the Latest Practicable Date, none of the Directors or the Valuer was interested, directly or indirectly, in any assets which, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and entered into by the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, and which was significant in relation to the business of the Group.

(d) As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Company.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the equipment purchase agreement and the finance lease contract dated 11 October 2017 entered into between FE Leasing and the Vendor, pursuant to which FE Leasing had conditionally agreed to purchase certain machinery and equipment from the Vendor at an aggregate consideration of RMB46,082,000 and lease the machinery and equipment back to the Vendor for a period of 36 months;

(b) the finance lease contract dated 13 October 2017 entered into between Ping An Leasing (Tianjin) and the Vendor, pursuant to which Ping An Leasing (Tianjin) had conditionally agreed to purchase certain machinery and equipment from Vendor at a consideration of RMB60,000,000 and lease the machinery and equipment back to the Vendor for a period of 36 months;

(c) the equipment purchase agreement and the finance lease contract dated 9 February 2018 entered into between FE Leasing and Chigo Precision, pursuant to which FE Leasing had conditionally agreed to purchase certain machinery and equipment from Chigo Precision at an aggregate consideration of RMB31,572,000 and lease the machinery and equipment back to Chigo Precision for a period of 36 months;

(d) the finance lease contract dated 27 August 2018 entered into between Yaoda Leasing and Chigo Precision, pursuant to which Yaoda Leasing had conditionally agreed to purchase certain machinery and equipment from Chigo Precision at a consideration of RMB20,000,000 and lease the machinery and equipment back to Chigo Precision for a period of 36 months;

(e) the equipment purchase agreement and the finance lease contract dated 10 September 2018 entered into between Sinopharm Leasing and Kechuang, pursuant to which Sinopharm Leasing had conditionally agreed to purchase certain machinery and equipment from Kechuang at an aggregate consideration of RMB50,000,000 and lease the machinery and equipment back to Kechuang for a period of 36 months;

(f) the finance lease contract dated 4 January 2019 entered into between Yaoda Leasing and the Vendor, pursuant to which Yaoda Leasing had conditionally agreed to purchase certain machinery and equipment from the Vendor at a consideration of RMB30,000,000 and lease the machinery and equipment back to the Vendor for a period of 36 months;

(g) the sale and purchase agreement dated 30 March 2019 entered into among the Vendor, Foshan City Jin He Yi Investment Development Co., Ltd.* (佛山市金和益投資發展有限公司), Ma Junxia* (馬俊霞), Tong Zhijun* (童志軍) and Wang Feng* (王峰), pursuant to which the Vendor had conditionally agreed to sell, and the latter four parties had agreed to purchase, 40% of the issued share capital of Chigo Heating & Ventilation together at an aggregate consideration of RMB204 million;

(h) the Transfer Agreement; and

(i) the Relocation Compensation Agreement.

7. EXPERT'S CONSENT AND QUALIFICATION

The following is the name and qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
PSA (HK) Surveyors Limited (國眾聯(香港)測量師行有限公司)	Professional property valuer

The Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and references to its name or opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, the Valuer did not have any shareholding in any member of the Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which had been, since 31 December 2018 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Unit 01, 9th Floor, Greenfield Tower (South Tower), Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong, from 25 July 2019 to 8 August 2019 (both days inclusive):

(a) the memorandum and articles of association of the Company;

(b) the material contracts as referred to in the section headed "6. Material contracts" in this appendix;

(c) the Property Valuation Report, the text of which is set out in Appendix I to this circular;

(d) the annual reports of the Company for the two years ended 31 December 2017 and 2018, respectively;

(e) a circular of the Company dated 19 July 2019 in relation to the major disposal of 40% of the issued share capital of Chigo Heating & Ventilation by the Vendor; and

(f) this circular.

10. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Leung Hon Man, who is a fellow member of the Hong Kong Institute of Certified Public Accountants, and a certified practising accountant of CPA Australia.

(b) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

CHIGO HOLDING LIMITED
志高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 449)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Chigo Holding Limited (the "**Company**") will be held at Picasso Room B, B1 Level, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 8 August 2019 at 3:00 p.m. (the "**EGM**") (or as soon thereafter following the conclusion or adjournment of the extraordinary general meeting of the Company to be held at 2:30 p.m. on the same day and at the same place) for the following purposes of considering and, if thought fit, passing the following resolution (with or without modifications):

As Ordinary Business

To consider and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

"**THAT:**

(a) the terms and conditions of the Transfer Agreement and the Relocation Compensation Agreement (each as defined in the circular of the Company dated 24 July 2019 in relation to the very substantial disposal and copies of which have been produced to the meeting marked "A" and "B", respectively, and signed by the chairman of the EGM for the purpose of identification) be and hereby approved, ratified and confirmed;

(b) all transactions contemplated under the Transfer Agreement and the Relocation Compensation Agreement and the implementation thereof be and are hereby approved, ratified and confirmed; and

(c) any one director of the Company be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and to do all such acts or things as that director may in his absolute discretion deem appropriate to give effect to the Transfer Agreement and the Relocation Compensation Agreement and the transactions contemplated thereunder."

By Order of the Board
Leung Hon Man
Company Secretary

Hong Kong, 24 July 2019

Head office and principal place of business in Hong Kong:
Unit 01, 9th Floor
Greenfield Tower (South Tower)
Concordia Plaza
1 Science Museum Road
Tsimshatsui, Kowloon
Hong Kong

Notes:

1 Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. Any member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company.

2 Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

3 The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

4 To be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.

5 The register of members of the Company will be closed from Monday, 5 August 2019 to Thursday, 8 August 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for voting at the meeting, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday day, 2 August 2019.

As at the date of this notice, the executive Directors are Li Xinghao, Li Xiuhui, Huang Guijian and Yang Xiangwen, and the independent non-executive Directors are Zhang Xiaoming, Wang Manping and Pan Mingjun.