Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

CHIGO

CHIGO HOLDING LIMITED
志高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 449)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Due to restrictions in force in parts of the People's Republic of China (the "**PRC**") to combat the novel coronavirus (COVID-19) outbreak as further elaborated in the section headed "Review of the unaudited annual results" below, the audit process for the annual results of Chigo Holding Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 has not been completed. Accordingly, the unaudited results for the year ended 31 December 2019 contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Meanwhile, the Board is pleased to announce the unaudited consolidated results based on the management accounts of the Group for the year ended 31 December 2019 together with the audited annual results for the corresponding period of 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019** ***RMB'000*** **(unaudited)**	2018 *RMB'000* (audited) (restated)
Continuing operations			
Revenue	*3*	**3,396,587**	7,372,758
Cost of sales		**(3,338,733)**	(6,566,110)
Gross profit		**57,854**	806,648
Other income		**119,248**	57,117
Selling and distribution costs		**(536,511)**	(665,985)
Administrative expenses		**(247,069)**	(367,801)
Research and development costs		**(106,738)**	(156,212)
Other expenses		**(74,393)**	(3,705)
Other gains and losses		**441,222**	41,187
Impairment losses under expected credit loss model, net of reversal		**(1,095,230)**	(55,531)
Net gain (loss) in fair value changes on foreign currency forward contracts		**9,265**	(12,976)
Share of result of an associate		**31,203**	–
Finance costs		**(218,290)**	(184,720)
Loss before taxation		**(1,619,439)**	(541,978)
Taxation	*4*	**(13,424)**	(2,985)
Loss for the year from continuing operations		**(1,632,863)**	(544,963)
Discontinued operation			
Profit for the period from discontinued operation		**222,929**	64,526
Loss for the year		**(1,409,934)**	(480,437)
Other comprehensive income (expense):			
Item that will not be reclassified subsequently to profit or loss:			
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income		**4,065**	(6,309)
Other comprehensive income (expense) for the year		**4,065**	(6,309)
Total comprehensive expense for the year		**(1,405,869)**	(486,746)

	NOTES	2019 RMB'000 (unaudited)	2018 RMB'000 (audited) (restated)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(1,630,892)**	(544,558)
– from discontinued operation		**222,781**	45,233
Loss for the year attributable to owners of the Company		**(1,408,111)**	(499,325)
(Loss) profit for the period attributable to non-controlling interests			
– from continuing operations		**(1,971)**	(405)
– from discontinued operation		**148**	19,293
(Loss) profit for the period attributable to non-controlling interests		**(1,823)**	18,888
		(1,409,934)	(480,437)
Total comprehensive (expense) income for the year attributable to:			
– owners of the Company		**(1,400,489)**	(505,634)
– non-controlling interests		**(1,823)**	18,888
		(1,402,312)	(486,746)
Loss per share			
From continuing and discontinued operations			
– Basic and diluted	*5*	**(16.70) cents**	(5.92) cents
From continuing operations			
– Basic and diluted		**(7.81) cents**	(6.46) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	**2019**	2018
		RMB'000	*RMB'000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		**838,328**	1,218,774
Right-of-use assets		**365,080**	–
Investment properties		**257,036**	–
Land use rights		**–**	193,962
Prepaid lease payments		**–**	185,813
Intangible assets		**419**	499
Interest in an associate		**190,485**	–
Deposits paid for acquisition of property, plant and equipment		**2,389**	36,099
Equity instruments at fair value through other comprehensive income		**16,557**	15,378
Deferred tax assets		**–**	18,713
Taxation recoverable		**–**	8,202
		1,670,294	1,677,440
Current assets			
Inventories		**1,427,347**	1,941,744
Trade and other receivables	*6*	**3,551,332**	4,912,925
Land use rights		**–**	5,378
Prepaid lease payments		**–**	16,394
Taxation recoverable		**–**	860
Derivative financial instruments		**–**	4,160
Financial assets at fair value through profit or loss		**–**	14,530
Amount due from a related party		**6,241**	–
Pledged bank deposits		**104,844**	1,054,811
Bank balances and cash		**212,052**	336,918
		5,301,816	8,287,720
Current liabilities			
Trade and other payables	*7*	**2,060,033**	4,350,008
Relocation provision		**51,176**	–
Warranty provision		**33,312**	54,241
Taxation payable		**158,917**	164,818
Contract liabilities		**179,034**	324,543
Amounts due to related parties		**71,624**	–
Loan from controlling shareholder		**197,635**	–
Borrowings related to bills discounted with recourse		**289,785**	1,264,567
Borrowings		**3,195,762**	1,733,291
Derivative financial instruments		**–**	26
Lease liabilities/obligations under finance leases		**61,260**	139,319
		6,298,538	8,030,813
Net current (liabilities) assets		**(996,722)**	256,907

	NOTE	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Total assets less current liabilities		**673,572**	1,934,347
Non-current liabilities			
Government grants		**31,040**	32,328
Borrowings		**–**	16,160
Lease liabilities/obligations under finance leases		**270,391**	61,981
Deferred tax liabilities		**25,837**	25,837
		327,268	136,306
Net assets		**346,304**	1,798,041
Capital and reserves			
Share capital	*9*	**71,906**	71,906
Reserves		**280,560**	1,677,492
Equity attributable to owners of the Company		**352,466**	1,749,398
Non-controlling interests		**(6,162)**	48,643
Total equity		**346,307**	1,798,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" to the annual report. Its immediate and ultimate holding company is Chigo Group Holding Limited (the "**Chigo Group**"), a company which is incorporated in the British Virgin Islands. The ultimate controlling party of Chigo Group is Mr. Li Xinghao.

The principal activities of the Company and its subsidiaries (the "**Group**") are the design, development, manufacture and sale of air-conditioning products.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited annual results for the year ended 31 December 2019 contained herein and the consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

3. REVENUE

Disaggregation of revenue from contracts with customers

	2019 ***RMB'000*** **(unaudited)**	2018 *RMB'000* (audited) (restated)
Type of goods:		
Sales of air-conditioning products		
Residential air-conditioners	**2,874,902**	6,318,171
Air-conditioners' parts and components	**236,354**	416,038
Others	**285,031**	638,549
Total	**3,396,587**	7,372,758

The Group is principally engaged in the manufacturing and sale of air-conditioning products. All revenue generated by the Group is recognised at a point in time when control of the goods has transferred to the customers, being when the goods have been shipped to the specific location (delivery).

4. TAXATION

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
		(restated)
The charge comprises:		
The PRC income tax	**85**	2,168
Over provision for prior year	**(5,374)**	(1,524)
Deferred taxation	**18,713**	2,341
	13,424	2,985

5. LOSS PER SHARE

From continuing and discontinued operations

Basic and diluted loss per share from continued and discontinued operations are RMB16.70 cents per share (unaudited) (2018: RMB5.92 cent per share (audited)). The calculation of the basic loss per share for the year from continuing and discontinued operations is based on the unaudited loss for the year from continuing and discontinued operations attributable to owners of the Company of RMB1,408,111,000 (2018: RMB499,325,000 (audited)) and on the weighted average number of 8,434,178,000 (2018: 8,434,178,000) shares in issue during the year.

From continuing operations

The calculation of the basic loss per share for the year from continuing operations is based on the unaudited loss for the year from continuing operations attributable to owners of the Company of RMB1,630,892,000 (2018: RMB544,558,000 (audited)) and on the weighted average number of 8,434,178,000 (2018: 8,434,178,000) shares in issue during the year.

There were no potential ordinary shares in issue for the year ended 31 December 2019. The computation of diluted loss per share from continuing operations for the year ended 31 December 2018 did not assume the exercise of the Company's outstanding share options because their assumed exercise would result in a decrease in loss per share.

From discontinued operation

Basic and diluted earnings per share from discontinued operation are RMB2.64 cents per share (2018: RMB0.54 cent per share), based on the unaudited profit for the year from discontinued operation of RMB222,781,000 (2018: RMB45,233,000 (audited)) and the denominators detailed above for both basic and diluted loss per share from continuing operations.

6. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**4,641,439**	4,936,183
Less: Allowance for credit losses	**(1,247,284)**	(154,975)
	3,394,155	4,781,208
Other receivables	**157,177**	131,717
	3,551,332	4,912,925

Payment terms with customers are mainly on credit. The customers are allowed a credit period of 30 days to 180 days from date of issuance of the invoices, while the long-established customers are allowed a credit period of 210 days.

The following is an aging analysis of trade receivables net of credit losses presented based on the invoice dates.

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 – 30 days	**257,966**	689,858
31 – 60 days	**245,513**	840,579
61 – 90 days	**286,081**	777,684
91 – 180 days	**910,205**	1,817,086
181 – 365 days	**967,062**	436,240
Over 1 year	**727,328**	219,761
	3,394,155	4,781,208

7. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**789,344**	1,511,701
Bills payables	**166,539**	2,184,126
	955,883	3,695,827
Other payables	**1,104,150**	654,181
	2,060,033	4,350,008

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

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 – 90 days	**281,719**	1,156,928
91 – 180 days	**255,407**	1,141,695
181 – 365 days	**290,703**	1,350,095
1 – 2 years	**128,054**	47,109
	955,883	3,695,827

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year (2018: Nil), nor has any dividend been proposed since the end of the reporting period (2018:Nil).

9. SHARE CAPITAL

	Authorised		**Issued and fully paid**	
	Number of shares	**Amount**	**Number of shares**	**Amount**
	'000	*HKD'000*	*'000*	*HKD'000*
Ordinary shares of HK$0.01 each				
At 1 January 2018, 31 December 2018 and 2019	50,000,000	500,000	8,434,178	84,341

	RMB'000
Shown in the consolidated statement of financial position at – 31 December 2019 and 2018	71,906

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As the trend of deterioration in operating environment in the second half of 2018 continued, growth in residential air-conditioning market in China still lacked momentum in 2019, and the market demand was weak, showing an increase in volume and a decrease in price. During the year under review, the overall retail sales of residential household air-conditioning products decreased year-on-year, while retail sales only achieved slight increase. The reasons for the decline include, first of all, the growth rate of domestic real estate slowed down in 2018, the market saw very quiet real estate transactions in 2019, which inhibited new demand for residential air-conditioning products in 2019. Second, the inventory of the residential air-conditioner industry is at a high level, and the inventory pressure is huge that air-conditioning enterprises are faced with a new round of price war. If the enterprises were only to rely on the hot weather to promote sales by means of marketing techniques, it would be more and more difficult. Third, under the influence of factors such as mortgage loans borne by nationals, uncertain economic situation and fluctuation and decline of stock market, indebtedness is common, and disposable income of consumers has also begun to tighten, resulting in a lack of buying incentives and motivations. Fourth, diversifying distribution channels have significantly raised our marketing costs. Last but not least, the continuous increase in the supply chain cost continued to lower corporate profit, leading to reduced investment in marketing expenses and affecting the release of consuming capacity. In 2019, especially in the second half, leading domestic air conditioners had significantly reduced prices to promote sales, which was unprecedented. Due to the baptism of the price war, customer confidence is affected to some extent. Since competition in the air-conditioning industry was fierce and purchasing power of consumers was insufficient, and air-conditioning enterprises were hit hard.

During the year ended 31 December 2019, the Group's domestic marketing and sales team shrank the outlet sales business strategically, explored the full potential of traditional channels, developed the emerging pipelines in an orderly manner and upgraded the development of e-commerce. Meanwhile, the Group has also controlled the investment of advertising expenses and hence reducing costs while improving efficiency. In addition, to maximise the efficiency of resources, the Group reasonably and effectively shut down the external transit warehouses or reduced the storage area of such warehouses in order to operate at an appropriate scale and on a profit-oriented basis.

In the first half of 2019, due to the influence of market environment and supply factors, the Group suffered the impact of product price wars in the second half. Domostic sales of the Group throughout the year were very difficult and could not be scaled up. Despite the prompt adoption of a series of strategies by the Group, domestic sales of residential air-conditioners experienced a significant year-on-year decline in 2019 as a result of the sluggish economic environment, reduced consumer demand and sourcing factors. The gross margin of the air-conditioning products in 2019 decreased significantly attributable to the relative increase in cost of sales, apportionment of the corresponding expenses was unavailable, resulting in a decrease in profit as compared to the previous year.

As for export, according to customs information, the volume of air-conditioners exported from China in 2019 increased year-on-year.

During the year under review, air-conditioner export enterprises had been facing a lot of challenges due to global political and economic instability. The trade friction between China and the United States, for instance, has been going on for over a year. The rhythm of air-conditioner exports has been affected, though the trade friction had limited short-term impact on China's air-conditioner export business. After a surge in China's air-conditioner exports to the United States in last year, it showed a year-on-year decline in 2019, with an overall pace ahead of schedule. Political changes in the Middle-East also hindered the development of the market. In addition, India has raised import tariffs on residential air-conditioners, coupled with the depreciation of the Rupee, the Indian currency, and the lower temperature, have contributed to a relatively large inventory in the local market and the decline in exports.

In the short run, the depreciation of RMB (the rise in exchange rate) will be beneficial to the residential air-conditioner exports and will enhance the competitiveness of such products in the short-term. 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. For the year ended 31 December 2019, prices of raw materials tended to stabilise and showed a slight downward trend as compared to the corresponding period last year, which had little impact on the overseas air-conditioning sales.

During the reporting period, the Group's business strategy prioritised profits and took into account the scale. It also promptly adjusted its pricing strategy, appropriately reduced low-priced orders, and particularly strengthened the control of low-priced regional orders. In addition, the Group facilitated its development by promoting its brand. In 2019, CHIGO-brand customers are the core targets of the Group's overseas sales. In terms of production capacity resources, priority is given to protecting the orders of CHIGO-brand customers, while increasing the diversified development of CHIGO-brand products, and increasing brand influence. As a result, the share of CHIGO-brand sales in 2019 had increased. Due to the restrictions on the Group's allocation of resources, coupled with the overall deterioration of the business environment and fierce business competition, the Group's residential air-conditioner export sales during the sales policy adjustment process recorded a relatively significant decline in 2019.

During the year under review, the Group disposed of 40% equity interest in Guangdong Chigo Heating & Ventilation Equipment Co., Ltd.* (廣東志高暖通設備股份有限公司) ("**Chigo Heating**") to certain connected parties at an aggregate consideration of RMB204 million, resulting in the loss of control in Chigo Heating upon the completion of the transaction. Before the disposal, the Group owned 70% interest in Chigo Heating and its assets and liabilities and profits and losses are consolidated into the consolidated financial statements of the Company. Chigo Heating is engaged in manufacture and sale of commercial air-conditioners. Upon completion of the disposal, the Group's commercial air-conditioner operation is treated as discontinued operation. The Group continues to keep the remaining 30% interest in Chigo Heating and classified the retained investment as investment in an associate.

Additionally, the presentation of comparative information in respect of the year ended 31 December 2018 has been restated to show the discontinued operation separately from the continuing operations.

Revenue

During the year ended 31 December 2019, the Group's total revenue was approximately RMB3,396.6 million (unaudited) (2018 (as restated): RMB7,372.8 million). The decrease was primarily due to the decrease in sales volume of major air-conditioning products as a result of the continued uncertainty of the global economy, which led to a deterioration in the business environment, the deconsolidation of the results of the commercial air-conditioning business and the Group's progressive business adjustment during the year under review.

Cost of sales

Despite the prices of major raw materials remained stable during the year ended 31 December 2019, the Group's cost of sales dropped to RMB3,338.7 million (unaudited) (2018 (as restated): RMB6,566.1 million) as a result of the decrease in sales volume of major air-conditioning products and the deconsolidation of the results of the commercial air-conditioning business.

Gross profit

Due to the decrease in its revenue and relative increase in costs of major raw materials during the year, the Group recorded a gross profit of RMB57.9 million (unaudited) for the year ended 31 December 2019 (2018 (as restated): RMB806.6 million).

Loss for the year

As a result of the foregoing, the Group recorded a loss of RMB1,409.9 million (unaudited) for the year ended 31 December 2019 (2018: RMB480.4 million).

Sales and leaseback arrangements

On 4 January 2019, 廣東志高空調有限公司 (Guangdong Chigo Air-conditioning Co., Limited*) ("**Guangdong Chigo**"), an indirect wholly-owned subsidiary of the Company entered into a sales and leaseback contract with 廣東耀達融資租賃有限公司 (Yaoda Finance Lease Co., Ltd.*) ("**Yaoda Leasing**"), pursuant to which Yaoda Leasing has conditionally agreed to purchase certain equipment from Guangdong Chigo at an aggregate consideration of approximately RMB30,000,000 and lease the equipment back to Guangdong Chigo for a period of 36 months.

Material acquisitions and disposals, significant investments

On 30 March 2019, the Vendor, Guangdong Chigo entered into a sale and purchase agreement with Foshan City Jin He Yi Investment Development Co., Ltd.* (佛山市金和益投資發展有限公司), Mr. Wang Feng* (王峰), Ms. Ma Junxia* (馬俊霞) and Tong Zhijun* (童志軍) (collectively, the "**Purchasers**") pursuant to which the Guangdong Chigo conditionally agreed to sell, and the Purchasers agreed to purchase, 40% of the issued share capital of Chigo Heating, the then indirect 70% owned subsidiary of the Company), at an aggregate consideration of RMB204 million. Upon completion of the disposal, Chigo Heating is held as to 30% by the Group and is no longer be accounted for as a subsidiary in the consolidated financial statements of the Company. The proceeds from the disposal were applied as general working capital of the Group and used for the purchase of raw materials for production and settlement of operating expenses.

On 21 May 2019 Guangdong Chigo entered into a transfer agreement with 粵港澳大灣區產融資產管理有限公司 (Greater Bay Area Chanrong Asset Management Company Limited*) (the "**Purchaser**") pursuant to which Guangdong Chigo agreed to sell, and the Purchaser agreed to purchase, the certain properties located in Foshan City, Guangdong Province, the PRC, at a consideration of RMB450 million. On 21 May 2019 Guangdong Chigo also entered into a relocation compensation agreement (being supplemental to the transfer agreement) with the Purchaser, pursuant to which the Purchaser agreed to pay a relocation compensation in the amount of RMB358 million to Guangdong Chigo for the relocation of certain machineries, inventories and facilities, etc. on the properties (collectively, the "**Disposal**"). The Disposal was approved by the shareholders at the extraordinary general meeting of the Company held on 8 August 2019. The transactions under the Disposal are yet to be completed. Proceeds received from the transactions, being part of the total disposal consideration, were applied as general working capital of the Group and used for the purchase of raw materials for production and settlement of operating expenses.

Save as disclosed above, the Group had not made any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2019. During and as at the end of the reporting period, the Group did not hold any significant investments.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2019.

Employees and Remuneration

As at 31 December 2019, the Group employed 4,818 employees (2018: 11,454 employees). The employees of the Group are remunerated based on their performance, experience and prevailing industry practices. Compensation packages are reviewed on a yearly basis. The Group also provides its employees with welfare benefits including medical care, meal subsidies, education subsidies and housing etc.

In order to attract, motivate and retain high calibre personnel, the Group also has a share option scheme in place in which the employees and directors of the Group are entitled to participate.to

Events after the end of the reporting period

Impact of the 2019 novel coronavirus (COVID-19)

The outbreak of the COVID-19 in the PRC and the subsequent mandatory quarantine measures implemented by the Chinese government have impact on the business and operations of the Group as most of the Group's operations are located in the PRC. As required by the local government department where the Group operates, certain entities of the Group were not allowed to resume operations before late February 2020 in order to contain the spread of the epidemic. As at the date of this announcement, the Group has already resumed most of its operations.

At present, it is necessary to look at the situation and further development of COVID-19 before assessing the further changes in the economic conditions of the Group caused by it, and then assessing the possible impact on the financial performance of the Group. However, at the date of approval of these unaudited consolidated financial statements, the management of the Company was unable to estimate the extent of their impact.

Save as disclosed above, there are no important subsequent events after the reporting period.

Outlook and Future Plans

Due to the impact of the novel coronavirus (COVID-19) epidemic, domestic workers found it difficult to resume work at the beginning of 2020, and logistics and transportation in most areas in China were blocked. Some of the terminal stores are unable to resume businesses for the time being. As a result, tight cash flow and risk of supply disruption are experienced by the manufacturers. As most businesses face the same problem, it is difficult for the Group to avoid the impact of the COVID-19 on its opening in 2020. Due to the impact of the epidemic, year-to-date, the Group's domestic sales have inevitably decreased compared to the same period last year. However, through the proactive adjustment of the sales strategy by the Group's sales team, the management believes that as long as everyone stays in their position and works together, the Group will be able to overcome the current difficulties and gradually improve sales. Under the current epidemic situation, the Group's offline channels also take advantage of the online marketing model to respond quickly to market changes through different online ordering platforms and other methods. In this way, it drives the entire supply chain to stabilise regional markets and give customers/suppliers full confidence through rapid return of funding online. Especially for core stores and Elite Club customers, omni-channel promotion should move fast and to provide good online ordering and in-store delivery "contactless" services. Only by insisting on this can the Group maintain sales and wait for the impact of the epidemic to slowly diminish, allowing the domestic household air-conditioning market to recover.

On the other hand, starting in mid-2020, China will implement new energy efficiency standards, which means that all air-conditioning products will be adjusted. Therefore, the cost of air-conditioning products will increase, and market prices will benefit from the upward trend. At the same time, major brands will clear the sales of old energy-efficient products in the first half of the year, so it may bring another wave of price war. Despite the aforesaid, a large number of online promotions for new energy-efficient products are warming up, and the annual sales volume is expected to increase year-on-year.

As for the outlook for the export market of residential air-conditioning products, the uncertainty is that the global economy is still facing greater downward pressure. At present, the overall trend of the global economy is characterised by slower growth and unstable recovery. In the major developed economies, such as the United States, Japan, and Europe, monetary easing policies are difficult to effectively stimulate economic recovery; while other economies are affected by the slowdown in the growth of these major economies, it is difficult for them to achieve a strong recovery in growth. Slowing global economic growth will affect the development of the air-conditioning industry.

In the beginning of 2020, exports of air-conditioning products are also affected by the COVID-19 epidemic, and the growth rate slows down. With the continuous development of the epidemic, under the circumstances of delayed resumption of work and road blockades in China, the order volume and delivery cycle of air-conditioning enterprises have been affected to some extent. With the spread of the epidemic globally, on the one hand, some countries have adopted certain control measures for the entry of Chinese personnel, and also adopted measures such as suspension of navigation for cargo imports. Some important air-conditioning industry exhibitions have also been forced to be postponed. In the short term, export of air conditioners in some markets will be affected by the epidemic. However, in the long run, the expected impact on air-conditioning exports is limited.

The competition pressure among air-conditioning export companies has not abated, and the competition has become increasingly fierce. The first-tier camp brands with a large market share have successively implemented new products and reduced prices to achieve dimensional reduction. The brands in the second and third camps explore the possibility of counterattacks through cost-effectiveness and online channels, and the competition has entered a feverish stage.

In addition, the entry barriers in various countries have been continuously elevated, and various compulsory policies and regulations have been implemented. New standards have been implemented in terms of technology, energy efficiency, import and export. Regulations have also been updated at a faster rate, with more stringent details. As a result, the development of the industry raises new requirements.

As for the positive factors, the renewal demand and consumption upgrade drive the growth of the global air-conditioning market: At present, the global air-conditioning market still has high demand. The demand brought by the replacement in developed countries such as Europe and the United States has stimulated the growth of the local air-conditioning market; In the region's emerging economies and developing countries, such as Asia-Pacific, Africa due to rapid economic development and rising consumption levels, local air-conditioning demand will gradually be released. Therefore, while the global air-conditioning market demand is still high, China's air-conditioning exports are expected to maintain a small increase.

In addition, the situation of the Sino-US trade war that everyone was concerned about last year has eased: the United States is China's main exporter of air-conditioning, and the current negative impact of the Sino-US trade war on air-conditioning exports has become apparent. At this stage, the Sino-US trade war is easing. After consultation, the two sides have reached the first-phase agreement. The easing of the situation on both sides provides a favorable external environment for the export of air conditioners.

Demand from developing countries is gradually released. Africa, Southeast Asia, South America, and other developing countries have hot climates, large populations, and large market potential. As the economic level of developing countries continues to improve, the consumption levels of local consumers will also continue to increase. The demand for air-conditioning will gradually be released, which is conducive to the continued growth of China's air-conditioning exports.

In summary, the domestic air-conditioning export market has more opportunities than threats, and there is still room for the development of domestic air-conditioning export in the future. The keynote is expected to be steady growth, but the growth rate will slow down.

In terms of the development plans of the Group's production facilities, according to the announcements and notices of relevant government departments in Lishui Town, Nanhai District, Foshan City, the Company understands that the industrial park where the Group's headquarters and production base are located will be included in a "東部工業園片區改造提升項目城市更新單元計劃" Eastern Industrial Park Area Urban Renovation and Upgrading Project* (the "**Upgrading Plan**") to be implemented by the local government. Pursuant to such Upgrading Plan, the government will exercise its right to resume part of the land under the relevant laws and the Group will be compensated accordingly. At the moment, the Group is yet to be formally notified by the government of the exact location and size of land or production facilities to be resumed. After receiving details relating to the Upgrading Plan and specific impacts on the Group's business operations or any compensation to be received by the Group (if any), the management expects to conduct a comprehensive review of the Group's residential air-conditioning production facilities to formulate specific plans for the future development of its main business operations, and a further announcement in respect thereof will be issued by the Company in due course.

As at 31 December 2019, the Group had no plans for material investments or acquisitions of capital assets but will closely monitor market trends and explore potential business collaboration opportunities with various domestic and international well-known enterprises.

OTHER INFORMATION

Final Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

Purchase, Sale or Redemption of Listed Shares of the Company

On 30 March 2019, the Vendor, Guangdong Chigo entered into a sale and purchase agreement with the Purchasers pursuant to which the Guangdong Chigo conditionally agreed to sell, and the Purchasers agreed to purchase, 40% of the issued share capital of Chigo Heating, the then indirect 70% owned subsidiary of the Company), at an aggregate consideration of RMB204 million. Upon completion of the disposal, Chigo Heating is held as to 30% by the Group and is no longer be accounted for as a subsidiary in the consolidated financial statements of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the shares of the Company since the shares of the Company were successfully listed on the Main Board of the Stock Exchange during the year ended 31 December 2019.

Corporate Governance

The Company has adopted its corporate governance practices which are in line with the code provisions contained in the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2019, the Company has complied with the code provisions set out in the CG Code except for the deviation from Code Provisions A.2.1 and A5.1 of the CG Code.

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the year ended 31 December 2019, Mr. Li Xinghao ("**Mr. Li**") acted both as Chairman of the Board (the "**Chairman**") and chief executive officer (the "**CEO**") of the Company.

The responsibilities of Chairman and CEO of the Company have been clearly established and set out in writing. Chairman of the Board will be responsible for effective running of the Board and the management of the Board's affairs. CEO will be primarily responsible for the formulation of the Group's business and development strategies.

Mr. Li is the founder of the Group and has over 26 years of experience in the air-conditioning industry. The Directors believe that Mr. Li is a good leader to lead the Board and vesting the roles of Chairman and CEO in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. As such, it is beneficial to the business prospects of the Company.

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

Code Provision A.5.1

Code provision A.5.1 of the CG Code stipulates that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the resignation of Mr. Fu Xiaosi ("**Mr. Fu**") as an independent non-executive Director on 17 April 2019 and the retirement of Mr. Wang Manping ("**Mr. Wang**") as an independent non-executive Director at the conclusion of the annual general meeting of the Company held on 28 June 2019, the nomination committee of the Company (the "**Nomination Committee**") then only consisted of one independent non-executive Director, namely Mr. Zhang Xiaoming as the chairman of the Nomination Committee.

As Mr. Pan Mingjun ("**Mr. Pan**") was appointed and Mr. Wang was re-appointed as independent non-executive Directors, as well as, among others, a member of the Nomination Committee respectively on 10 July 2019, such deviation from Code Provision A.5.1 was rectified.

Non-Compliance with Rules 3.10, 3.10A and 3.21 of the Listing Rules

Upon resignation of Mr. Fu as an independent non-executive Director with effect from 17 April 2019, the number of independent non-executive Directors of the Company fell below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules. In addition, the number of members of the audit committee of the Company (the "**Audit Committee**") fell short of the requirements under Rule 3.21 of the Listing Rules. According to Rules 3.10(2) and 3.21 of the Listing Rules, at least one independent non-executive Director and one of the members of the Audit Committee must have appropriate professional qualifications or accounting or related financial management expertise. Following the resignation of Mr. Fu, the Company had two independent non-executive Directors and the Audit Committee comprised two members who are all independent non-executive Directors. However, none of them has appropriate professional qualifications or accounting or related financial management expertise as specified in Rule 3.10(2) of the Listing Rules. Therefore, the Company did not fully comply with the requirements of Rules 3.10(2) and 3.21 of the Listing Rules.

Further, the number of members of the Company's Audit Committee and Nomination Committee fell below the minimum number required under the terms of reference of the respective committees.

As stated in the Company's announcement dated 17 April 2019, with a view to comply with the above requirements under the Listing Rules and the terms of reference of the Audit Committee and the Nomination Committee, the Company would endeavour to identify a suitable candidate to fill the above vacancy as soon as practicable and in any event within three months from the effective date of Mr. Fu's resignation.

Following the retirement of Mr. Wang as an independent non-executive Director of the Company upon the closing of the of the annual general meeting of the Company on 28 June 2019, the Company had only one independent non-executive Director, and therefore below the minimum number of independent non-executive directors required under Rules 3.10 and 3.10A of the Listing Rules. The number of members of the Audit Committee and Nomination Committee also fell below the minimum number required under Rule 3.21 of the Listing Rules and the terms of reference of the respective committees.

As stated in the Company's announcement dated 28 June 2019, with the view to complying with the above requirements under the Listing Rules and the terms of reference of the Audit Committee and the Nomination Committee, the Company would endeavour to identify a suitable candidate to fill the above vacancies as soon as practicable and in any event within three months from the retirement of Mr. Wang.

On 10 July 2019, Mr. Pan was appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of the remuneration committee of the Company and a member of the Nomination Committee. Mr. Pan has the appropriate professional qualifications or accounting or related financial management expertise as specified in Rule 3.10(2) of the Listing Rules. Further, Mr. Wang was re-appointed as an independent non-executive Director, the chairman of the remuneration committee, a member of the Audit Committee and a member of the Nomination Committee with effect from 10 July 2019.

Following the abovementioned appointment of Mr. Pan and Mr. Wang with effect from 10 July 2019, the Company has met and is in compliance with the requirements under Rules 3.10, 3.10A and 3.21 of the Listing Rules, as well as the minimum number of members required under the terms of reference of the Audit Committee and the Nomination Committee, respectively.

Model Code for Securities Transactions by Directors

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

Review of the unaudited annual results

The Audit Committee comprises of three independent non-executive Directors, namely, Mr. Pan Mingjun, Mr. Zhang Xiaoming and Mr. Wang Manping. Mr. Pan Mingjun is the chairman of the Audit Committee.

The audit process for the annual results of the Company for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 outbreak. In so far as the Board is aware, the delay in the completion of the audit process is mainly attributable to the travel restrictions in force in parts of China, which in turn resulted in the delay in starting the 2019 annual audit plan of the Company and obtaining certain confirmations from banks, customers and suppliers within different parts of the PRC. The unaudited annual results contained herein have not been agreed by the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made as soon as practicable after the audit process has been completed in accordance with Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants.

As at the date of this announcement, the Company's auditors have indicated that they may issue a potential Emphasis of Matter paragraph or a disclaimer of opinion arising solely from going concern issues on the Company's financial statements. Report on the opinion of the Company's financial statements will be subject to the final audit and/or the development of the Group's business and the financial resources available to the Group, including but not limited to the possible relocation compensation(s).

The Company's unaudited annual results based on its management accounts for the year ended 31 December 2019 contained herein have been reviewed by the Audit Committee with the management of the Company.

The financial information contained herein in respect of the annual results of the Group have not been audited, have not been agreed with the auditors, and may be subject to adjustments. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this announcement, there is sufficient public float or not less than 25% of the Shares are in the hands of the public as required under the Listing Rules.

Publication of the unaudited annual results

The electronic version of this announcement will be published on the Stock Exchange's website (www.hkexnews.hk), the Company's official website (www.china-chigo.com) and at irasia.com (www.irasia.com/listco/hk/chigo/index.htm).

Further Announcement(s)

Following the completion of the audit process, the Company will issue a further announcement in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. Based on currently available information after making enquiries with its auditors, the Company expects that the audit process will be completed on or before 15 May 2020 and accordingly such announcement could be published on or before 15 May 2020 2020.

In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in respect of the completion of the audit process.

Appreciation

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners, bankers and auditors for their support to the Group throughout the period.

By Order of the Board
Chigo Holding Limited
Li Xinghao
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, 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.

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