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CHIGO HOLDING LIMITED

志高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 449)

QUARTERLY UPDATE ON SUSPENSION OF TRADING

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Chigo Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) and Rule 13.24A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Reference is made to the announcements of the Company dated 31 March 2020, 29 April 2020, 14 May 2020 and 15 June 2020 in relation to, *inter alia*, inside information, the delay in despatch of the annual report of the Company, and suspension of trading in the shares of the Company. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the announcement of the Company dated 14 May 2020.

Pursuant to Rule 13.24A of the Listing Rules, the Board wishes to update the shareholders and potential investors of the Company that, as at the date of this announcement, the latest development on the Group’s business operation and the progress of the Company’s efforts to fulfil the resumption conditions are as follows:

BUSINESS OPERATIONS

The Group is principally engaged in the design, development, manufacture and sale of air-conditioning products. The Group has continued its normal business operations since suspension of trading in the shares of the Company. Following the outbreak of the novel coronavirus (COVID-19) outbreak in January 2020, a series of precautionary and control measures have been and continued to be implemented across the People’s Republic of China (the “**PRC**”). Although the suspension of offices and factory operations of the Group in Foshan and other provinces of the PRC had been gradually lifted, with the Group’s production capacity being subject to certain restrictions, it would

take time for the Group's manufacturing operation to resume to its full production. Due to the inability to increase its production during such period, the Group's domestic sales scale was inevitably affected in the first half of 2020. In terms of exports, it was also affected by the novel coronavirus epidemic. With the global economic level fallen into a downturn, the decline of global trade volume, and the economic downturn of major economies, export sales are not spared from the huge impact of the epidemic. As a result, the export sales scale of the Group declined relatively sharply in the first half of 2020. The Group will pay close attention to the development of the COVID-19 and continue to evaluate its impact on the financial position and operating results of the Group.

RESUMPTION CONDITIONS IMPOSED BY THE STOCK EXCHANGE

As disclosed in the announcement of the Company dated 15 June 2020, the Stock Exchange has imposed the following conditions for the resumption of trading of the shares of the Company:

- (a) conduct an appropriate independent forensic investigation into the audit issues identified by the Auditors, announce the findings and take appropriate remedial actions;
- (b) publish all outstanding financial results and address any audit modifications; and
- (c) inform the market of all material information for shareholders and investors to appraise the Company's position.

PROGRESS OF FULFILLMENT OF THE RESUMPTION CONDITIONS

Pursuant to Rule 13.24A of the Listing Rules, the Board wishes to update the shareholders and potential investors of the Company that, as at the date of this announcement, the latest development on the progress of the Company's efforts to fulfil the resumption conditions are as follows:

The Audit Committee has appointed an independent professional adviser (the "**Independent Forensic Accountant**") to carry out investigations (the "**Independent Investigations**") in relation to the issues raised by the Auditors as disclosed in announcement of the Company dated 14 May 2020, and since then, the Company has been in constant liaison with the Auditors to ascertain the scope of such Independent Investigations so that the relevant investigations could be carried out as soon as possible.

Subject to the Auditor's confirmation, the scope of the Independent Investigations agreed between the Independent Forensic Accountant and the Audit Committee include:

- To review and inspect the original documents or relevant supporting evidence and internal documentation in relation to the confirmation letters to miscellaneous customers and vendors;
- To visit the local national tax authority of the Group to verify the VAT invoice amount for certain individual customers;

- To review and inspect the original documents or relevant supporting evidence for account receivables and perform analysis on the movement of account receivables of certain miscellaneous customers;
- To interview relevant miscellaneous customers to understand the transactions and settlement of the sales transaction;
- To review and inspect the original documents or relevant supporting evidence for unidentifiable fund flows and the nature of such fund flows;
- To visit relevant banks and obtain the banking evidence for the aforementioned unidentifiable funds;
- To understand the litigation claims of the suppliers, including the amount claimed by them and to obtain the litigation claim documents; and
- To understand the Group's records regarding the supplier's litigation claims and to obtain and analyse necessary information for the differences in the amounts of outstanding trade payables.

As at the date of this announcement, discussions had been carried out between the Company and the Independent Forensic Accountant and, at the request of the Auditors, arrangements have also been made to facilitate discussions between the Auditors and Independent Forensic Accountant to finalise the relevant scope of the Independent Investigations.

As advised by the Independent Forensic Accountant, as it will only proceed with the Independent Investigations after the Auditors have agreed with the relevant scope of investigation, taking into account the amount of workload required by the Independent Forensic Accountant to carry out the Independent Investigations, the concrete timetable for the completion of the Independent Investigations is currently uncertain.

In the event of any material development in the above matters, further announcement(s) will be made by the Company to update the Shareholders as and when appropriate.

DELAY IN PUBLICATION OF THE AUDITED 2019 ANNUAL RESULTS THE 2019 ANNUAL REPORT

As disclosed in the announcement of the Company dated 31 March 2020, given that the Company announced the unaudited consolidated annual results of the Group for the year ended 31 December 2019 (which have not been agreed by the Company's auditors), pursuant to Rule 13.49(3)(ii) of the Listing Rules, an announcement relating to the audited results will be issued as soon as the consolidated annual results of the Group for the year ended 31 December 2019 ("**2019 Annual Results**") have been agreed with the Company's auditors. Further, pursuant to Rule 13.46(1)(a) of the

Listing Rules, the Company is required to send the annual report in respect of the financial year ended 31 December 2019 (the “**2019 Annual Report**”) to its shareholders on or before 30 April 2020.

The Board wishes to announce that as the Auditors would require time to review supporting documents (including the results of the Independent Investigations) and to complete the audit process, publication of the audited 2019 Annual Results (which will need to be agreed with the Company’s auditors) and despatch of the 2019 Annual Report will be delayed. The Company will publish further announcement(s) to inform the shareholders of the Company of the date of the release of the audited 2019 Annual Results and the date of despatch of the 2019 Annual Report as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 15 May 2020. Pending the fulfillment of the Stock Exchange’s resumption guidance, the trading in the shares of the Company will continue to be suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Chigo Holding Limited
Li Xinghao
Chairman

Hong Kong, 14 August 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.