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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, 15 June 2020, 14 August 2020, 1 September 2020, 13 October 2020 and 2 November 2020 in relation to, inter alia, inside information, the delay in despatch of the annual report of the Company, suspension of trading in the shares of the Company, the delay in publication of interim results and despatch of interim report of the Company for the six months ended 30 June 2020 and the resignation of the auditor 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 August 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 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. Since the outbreak of the novel coronavirus (COVID-19) in early 2020, a series of precautionary and control measures have been implemented across the People’s Republic of

China (“**PRC**”). As a result, the domestic economy and manufacturing activities were inevitably restricted and affected. As the domestic epidemic in the PRC was well controlled during the year, economic activities have slowly recovered. In the beginning of the year, offices and factory operations of the Group across the PRC were once subject to certain control measures and restrictions, and operations and production of the Group were affected accordingly. Despite the domestic economic activities and retail consumption having gradually recovered, the sales scale and production capacity of the Group so far this year have not yet returned to their normal levels. The domestic sales revenue of the Group for the nine months ended 30 September 2020 has dropped significantly compared with that of the same period last year. As for exports, facing the recurrent and uncertain situation of the persisting global novel coronavirus epidemic, coupled with the global economic recession, declining trade volume and economic downturn of major economies, export sales of the Group have also been significantly affected in this harsh operating environment. Hence, for the nine months ended 30 September 2020, the export sales scale of the Group has also decreased relatively significantly compared with the same period last year.

As for the cooperation in relation to a government land redevelopment proposal (“**三舊改造**”) in Lishui Town, Nanhai District, Foshan City in 2020, details of which are disclosed in the Company’s announcement dated 8 July 2020, it is expected that the compensations received and to be received by the Group will have a positive impact on the Group’s future cash flows and operations. As for the gain in relation to the compensations (if any, subject to audit), it will be accounted for in accordance with the Group’s accounting policies and relevant accounting standards after the Company discusses with its new auditor. The Directors expect that such gain, if recorded, will contribute to the Group’s profit, and the financial position of the Group will be further improved.

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:

With the intention to proceed with conducting the independent forensic investigation and to address the issues raised by Messrs. Deloitte Touche Tohmatsu (“**Deloitte**”) as announced in the Company’s announcement dated 14 May 2020, so as to enable the completion of the audit work in respect of the 2019 Annual Results as soon as possible, the Group and the Audit Committee had taken steps to resolve the said issues, including, to identify and engage an Independent Forensic Accountant to conduct the relevant investigation, and liaising with Deloitte in respect of the scope of the investigation work. The Company and the Audit Committee had also made arrangements to facilitate discussions between Deloitte and the Independent Forensic Accountant to finalise the relevant scope of the independent investigations. However, the Company and the Audit Committee had not been able to reach an agreement with Deloitte in respect of the scope of investigation work despite the above efforts.

Deloitte had tendered their resignation as the auditor of the Company with effect from 30 October 2020. For further details, please refer to the Company’s announcement dated 2 November 2020.

The Board is in the process of identifying a suitable auditor to fill the casual vacancy arising from the resignation of Deloitte and expects that a new auditor would be appointed within the next two weeks. A further announcement in relation to the appointment of a new auditor will be made by the Company as soon as practicable.

It is expected that extra time will be required for the new auditor to discuss with the Company and the Independent Forensic Accountant to finalise the relevant scope of the independent investigations. Further, as advised by the Independent Forensic Accountant, as it will only proceed with the Independent Investigations after the new auditor agrees 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 2019 ANNUAL RESULTS, THE 2019 ANNUAL REPORT, THE 2020 INTERIM RESULTS AND THE 2020 INTERIM 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 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 2019 Annual Report to its shareholders on or before 30 April 2020. In addition, as disclosed in the announcement of the Company dated 1 September 2020, the Company is required to publish its unaudited interim results announcement for

the six months ended 30 June 2020 (the “**2020 Interim Results**”) on or before 31 August 2020 and despatch its interim report for the six months ended 30 June 2020 (the “**2020 Interim Report**”) on or before 30 September 2020.

The Board wishes to announce that, following the appointment of the new auditor of the Company, the new auditor will require time to review supporting documents (including the results of the Independent Investigations) and to complete the audit process, hence, publication of the audited 2019 Annual Results (which will need to be agreed with the Company’s auditor) and despatch of the 2019 Annual Report will be delayed. Further, the new auditor will require time to review the unaudited consolidated results of the Group for the six months ended 30 June 2020 after the audit process in respect of the 2019 Annual Results is completed, and hence, publication of the 2020 Interim Results and the 2020 Interim Report will be delayed.

The Company will publish further announcement(s) to inform the shareholders of the Company of the date(s) of the Board meeting(s) to approve the 2019 Annual Results, the 2020 Interim Results and the despatch of the 2019 Annual Report and the 2020 Interim Report, and any other update information 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, 13 November 2020

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