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CHIGO

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, 2 November 2020, 13 November 2020, 1 December 2020 and 29 December 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, the resignation of the auditor of the Company, the additional resumption guidelines and the appointment 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 2 November 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. Since the outbreak of the novel coronavirus (COVID-19) in early 2020, a series of precautionary and control measures have been implemented across the 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 ended 31 December 2020, economic activities have slowly recovered. In the beginning of 2020, 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, limited by tight capital and production resources, the sales scale and production capacity of the Group in 2020 had not returned to their normal levels. Based on a preliminary review of the consolidated management accounts of the Group, the domestic sales revenue of the Group for the year ended 31 December 2020 had dropped significantly in the range of approximately 50% to 60% as compared with that for the year ended 31 December 2019. As for exports, facing keen competition, the recurrent and uncertain situation of the persisting global novel coronavirus pandemic, coupled with the global economic recession, declining trade volume and economic downturn of major economies, export sales of the Group had also been significantly affected in this harsh operating environment. Hence, for the year ended 31 December 2020, the export sales scale of the Group had also decreased relatively significantly in the range of approximately 55% to 65% as compared with that for the year ended 31 December 2019.

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, the Group has already arranged and expects to surrender and transfer the first batch of part of the relevant land to the relevant developer according to the redevelopment proposal in the first half of 2021. As the Group is still awaiting instructions and arrangement from relevant government authorities and the developer, the specific timetable for the remaining arrangements under the redevelopment proposal has not yet been determined. 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 auditors. 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 announcements of the Company dated 15 June 2020 and 1 December 2020, respectively, 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;
- (c) inform the market of all material information for shareholders and investors to appraise the Company’s position; and

(d) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules.

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:

As disclosed in the Company's announcement dated 29 December 2020, Elite Partners CPA Limited ("**Elite Partners CPA**") has been appointed as the new auditors of the Company with effect from 29 December 2020 to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu ("**Deloitte**") on 30 October 2020.

With the intention to proceed with conducting the independent forensic investigation and to address the issues raised by Deloitte as announced in the Company's announcement dated 14 May 2020, following the appointment of Elite Partners CPA, discussions have been made between Elite Partners CPA with the Company and the Independent Forensic Accountant, and the relevant scope of the independent investigations have been determined. Whilst the Company understands that the Independent Forensic Accountant has commenced work in respect of the Independent Investigations, taking into account the amount of workload required by the Independent Forensic Accountant to carry out the Independent Investigations, including the need to perform fieldwork which is to a certain extent expected to be affected by the forthcoming Chinese new year holidays, the concrete timetable for the completion of the Independent Investigations is currently uncertain.

In respect of the outstanding financial results of the Company, following Elite Partners CPA's appointment as the Company's auditors on 29 December 2020, Elite Partners CPA has also commenced their work in respect of the 2019 Annual Results. However, as the audit procedures of the 2019 Annual Results is also subject to Elite Partners CPA's satisfaction of the result of the Independent Investigations as mentioned above, it is expected that additional time will be required for Elite Partners CPA to complete the audit process in respect of the 2019 Annual Results and the review work in respect of the 2020 Interim Results.

The Company has taken active steps to address and comply with the Stock Exchange's resumption guidance, and has published announcements from time to time in accordance with the Listing Rules and on a voluntary basis to inform its Shareholders and the market of the status and latest development of the Group. 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 the 2020 Interim Results on or before 31 August 2020 and despatch its 2020 Interim Report on or before 30 September 2020.

The Board wishes to announce that despite the best efforts made by the Board and the management of the Company in cooperating with the Independent Forensic Accountant and the previous and current auditors of the Company, Elite Partners CPA (being the current auditors of the Company) will require time to review supporting documents (including the result of the Independent Investigations when it becomes available) and to complete the relevant audit process and review work, hence, (i) 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 and (ii) publication of the 2020 Interim Results and despatch of 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, 11 February 2021

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 Wang Manping, Pan Mingjun and Peng Ciguang.