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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, 29 December 2020, 11 February 2021 and 31 March 2021 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, the appointment of the auditor of the Company and the delay in publication of the 2020 results and despatch of annual report of the Company for the year ended 31 December 2020. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the announcement of the Company dated 31 March 2021.

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.

Commodity prices of raw materials have been soaring since the start of the new air-conditioning refrigeration year in the fourth quarter of 2020, in particular, the price of copper, being the major raw material for air-conditioning products, rose significantly, which therefore constituted the greatest impact on the production cost of air-conditioning products.

In addition, due to the tight global supply of semiconductor chips for home appliances, chip prices increased in general with manufacturers needing to stock up on different chip parts and components six months or even a year in advance. The Group inevitably suffered a significant adverse impact on production and sales in the past two years due to a number of macro factors, including the impact of the outbreak of the novel coronavirus (COVID-19) and the deterioration of the global economy. As a result of the vicious cycle of mutual decline in production and sales scale, the Group is now experiencing considerable difficulties in the procurement of raw materials in view of the significantly reduced sales scale and limited financial resources.

Furthermore, the continued appreciation of the exchange rate of Renminbi and the unstable supply of raw materials for the production of the Group's products in the past year also caused hesitation in overseas customers' decision in placing orders, which in turn caused a serious impact on the Group's overseas orders and profit margin. Considering the above uncertainties, the management of the Group did not want to take on unprofitable or even loss-making orders. Moreover, as the first quarter was not a traditional peak season for air-conditioners, the Group did not ramp up its production or stockpile large amounts of inventory during the first three months of 2021.

Since the outbreak of the novel coronavirus (COVID-19) in early 2020, limited by tight capital and production resources, the sales scale and production capacity of the Group had not yet returned to their normal levels. Based on a preliminary review of the unaudited consolidated management accounts of the Group for the three months ended 31 March 2021, the domestic sales revenue of the Group for the three months ended 31 March 2021 had recorded a year-on-year decrease in the range of approximately 10% to 15% as compared with that of the three months ended 31 March 2020. As for exports, due to the aforementioned factors, the export sales scale of the Group had decreased significantly by approximately 98% as compared with that for the three months ended 31 March 2020.

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 “**Redevelopment Announcement**”), the Group has commenced the preliminary relocation of and surrender of the relevant land in accordance with the Cooperation Agreement (as defined in the Redevelopment Announcement) and pursuant to which the Group is currently initiating the preliminary relocation work for the first phase of demolition of the old

factories, and is also coordinating with various relevant departments on the transfer of water, electricity and communication facilities. The Group also received the Early Termination Compensation (as defined in the Redevelopment Announcement) on a timely basis in accordance with the terms of the Cooperation Agreement.

## **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 of the date of this announcement, the Company understands that the Independent Forensic Accountant has conducted the initial phase of on-site fieldwork after reviewing the relevant information and documents provided by the Company. Based on the communications with the Independent Forensic Accountant, the Company is given to understand that the Independent Forensic Accountant is currently in the course of arranging for further rounds of investigation works, including but not limited to conducting further on-site fieldwork, obtaining additional information from the Group and other relevant parties, conducting interviews with the relevant members of the Group and other relevant parties including customers and suppliers, and preparing its preliminary findings and conclusions. Based on the current progress, it is expected that the Independent Forensic Accountant will be able to provide the first draft of its preliminary findings and conclusions to the Audit Committee by around the end of June 2021. The expected timeframe is indicative only and may be further revised depending on the circumstances. Further announcement(s) will be made by the Company as and when appropriate.

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, including performance of the necessary

fieldwork. 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, THE 2020 INTERIM REPORT, THE 2020 ANNUAL RESULTS AND THE 2020 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 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 announcements of the Company dated 1 September 2020 and 31 March 2021, the Company is required to publish the 2020 Interim Results on or before 31 August 2020, despatch its 2020 Interim Report on or before 30 September 2020, publish the 2020 Annual Results on or before 31 March 2021 and despatch its 2020 Annual Report on or before 30 April 2021.

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, (ii) publication of the 2020 Interim Results and despatch of the 2020 Interim Report, and (iii) publication of the audited 2020 Annual Results and despatch of the 2020 Annual Report, will be delayed.

The Company will publish 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 2020 Annual Results, and the despatch of the 2019 Annual Report, the 2020 Interim Report and the 2020 Annual 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, 14 May 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.*