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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, 31 March 2021, 14 May 2021 and 13 August 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, the delay in publication of the 2020 results and despatch of annual report of the Company for the year ended 31 December 2020, and the delay in publication of interim results and despatch of interim report of the Company for the six months ended 30 June 2021. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the announcement of the Company dated 14 May 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.

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. At the same time, during the peak sales season when the Group had increased purchase needs for major production parts such as computer chips, motors etc, the supply chain and production had also been affected by the tight global supply, which, in turn, greatly affected the Group's production, shipment and sales. Based on a preliminary review of the unaudited consolidated management accounts of the Group for the nine months ended 30 September 2021, the domestic sales revenue of the Group had recorded a significant year-on-year decrease in the range of approximately 70% to 75% as compared with that of the nine months ended 30 September 2020. As for exports, due to the aforementioned factors, the export sales scale of the Group had decreased significantly in the range of approximately 75% to 80% as compared with that for the nine months ended 30 September 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 Group has continued to pursue the relocation of and surrender of the relevant land within December 2021 in accordance with the Cooperation Agreement (as defined in the Redevelopment Announcement). The Group is also in the course of relocating certain of its production facilities located in Lishui Town, and will move to the Group's current production facility in Sihui City, Guangdong Province as planned. As such, the Group's production facility in Lishui Town will suspend production before the end of 2021 due to the relocation. Taking into account its export business, the Group has decided to use the production facility in Sihui City as a production base in the Greater Bay Area, and the Group's headquarters will remain in Lishui Town in the future. The Group further 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:

The Independent Forensic Accountant had circulated the first draft of the independent investigation report on 27 September 2021, which contained the Independent Forensic Accountant's preliminary findings and conclusions of the Independent Investigation. Upon receipt of the draft report, the Company and the Audit Committee reviewed the findings. The Audit Committee convened a meeting to relay its comments to the Independent Forensic Accountant and sought to discuss the possible next steps. The Independent Forensic Accountant eventually circulated an updated draft of the report (the "**Forensic Investigation Report**") on 5 November 2021. As of the date of this announcement, the Independent Forensic Accountant is in the course of conducting further on-site work in order to finalise the Forensic Investigation Report. Based on the Company's communication with the Independent Forensic Accountant, the final Forensic Investigation Report is expected to be made available to the Audit Committees for review and consideration by around the end of November 2021. In addition, for the purposes of remediating the deficiencies identified by the Independent Forensic Accountant, the Company is in the process of engaging an internal control adviser to provide advice and recommendations on the appropriate remedial actions based on the Forensic Investigation Report. In light of the above, the Company intends to publish an announcement disclosing, among others, the key findings in the Forensic Investigation Report and the views and recommendations (if any) of the Audit Committee and the Board by February 2022. 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 and tailored audit procedures in response to the matters identified under the Independent Investigations. 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 and the executions and results of the tailored audit procedures in response to the matters identified under Independent Investigations, 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 remains committed to meet the resumption conditions and resolve any issues arising from the Independent Investigations expeditiously. It 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, THE 2020 ANNUAL REPORT, THE 2021 INTERIM RESULTS AND THE 2021 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 announcements of the Company dated 1 September 2020, 31 March 2021 and 13 August 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, despatch its 2020 Annual Report on or before 30 April 2021, publish the 2021 Interim Results on or before 31 August 2021 and despatch its 2021 Interim Report on or before 30 September 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 findings 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, (iii) publication of the audited 2020 Annual Results and despatch of the 2020 Annual Report, and (iv) publication of the 2021 Interim Results and despatch of the 2021 Interim Report, will be delayed.

Based on the progress of the issuance of the Forensic Investigation Report as disclosed above and the Company’s communication with Elite Partners CPA, set forth below is the intended (and estimated) timetable for the Company on the publication of the outstanding financial information:

By February 2022	Publication of (i) the announcement of the Company in respect of the 2019 Annual Results, and (ii) the 2019 Annual Report
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By April 2022	Publication of (i) the announcement of the Company in respect of the 2020 Interim Results, and (ii) the 2020 Interim Report
By July/August 2022	Publication of (i) the announcement of the Company in respect of the 2020 Annual Results, and (ii) the 2020 Annual Report
	Publication of (i) the announcement of the Company in respect of the 2021 Interim Results, and (ii) the 2021 Interim Report

The above expected timeframe is indicative only and may be further revised depending on the circumstances. 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, the 2020 Annual Results and the 2021 Interim Results, and the despatch of the 2019 Annual Report, the 2020 Interim Report, the 2020 Annual Report and the 2021 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 fulfilment 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, 19 November 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.