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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, 13 August 2021, 19 November 2021, 10 December 2021 and 5 January 2022 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, decision of the Listing Committee and key findings of the independent forensic investigation. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the announcements of the Company dated 19 November 2021, 10 December 2021 and 5 January 2022.

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 year ended 31 December 2021, the domestic sales revenue of the Group had recorded a significant year-on-year decrease in the range of approximately 60% to 65% as compared with that of the year ended 31 December 2020. As for exports, due to the aforementioned factors, the export sales scale of the Group had decreased significantly in the range of approximately 70% to 75% as compared with that for the year ended 31 December 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 basically completed the relocation and surrender of the relevant land by the end of 2021 in accordance with the Cooperation Agreement (as defined in the Redevelopment Announcement). The Group had relocated certain of its production facilities located in Lishui Town, and moved to the Group's production facility in Sihui City, Guangdong Province as planned. As at the date of this announcement, the Group's production facility in Sihui City has already commenced production. 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:

As disclosed in the Company's announcement dated 5 January 2022 (the "**Investigation Findings Announcement**"), the relevant Independent Investigation and IT Forensic Investigation have been completed. Although the Audit Committee and the Board are of the view that the issues identified in the Independent Investigation do not impose any material adverse impact on the Group's business operation, financial position or contingent liabilities, given that the findings of the Independent Investigation have revealed concerns in the Company's internal control system in certain areas, the Company has taken corrective and preventive measures (as detailed in the Investigation Findings Announcement) and further:

- (i) Elite Partners CPA, as the auditors of the Company, is in the course of performing additional work and audit procedures in order to assess the impact of the Audit Issues on the audit and the Company's financial statements to be issued, these include:

	<b>Further audit procedures</b>
<b>Audit Issue 1</b>	Issuing audit confirmation letters to all customers and vendors identified by Deloitte in respect of Audit Issue 1, and further performing and attending to interviews with such customers and vendors to be selected
<b>Audit Issue 2</b>	Revisiting the information and documents reviewed by the Independent Accountant in order to confirm that there was no discrepancy between the sales summary and VAT system-generated invoice summary
<b>Audit Issue 3</b>	In addition to sending audit confirmation letters to the customers and vendors identified by Deloitte, performing and attending to interviews with such customers and vendors to be selected
<b>Audit Issue 4</b>	Reviewing information or documents further provided by the Group to confirm whether the fund flow arrangements were made for the Group's internal financing and working capital requirement purposes
<b>Audit Issue 5</b>	Reviewing information or documents further provided by the Group in respect of the relevant litigation proceedings

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. Please refer to the section headed "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” below for further details of the expected timetable on the publication of the Company’s outstanding financial information

- (ii) Mazars RAS, as the internal control adviser of the Company, is also in the course of conducting a comprehensive review of the internal control system, policies and procedures of the Group and to provide corresponding recommendations for rectification to the management of the Group in light of the five Audit Issues raised by Deloitte.

Based on its review of the five Audit Issues raised by Deloitte and the results of the Independent Investigation, Mazars RAS is of the view that the following internal control measures will need to be made by the Group, in order to prevent the re-occurrence of the same.

	<b>Preliminary internal control measure</b>
<b>Audit Issue 1</b>	– Enhancement of customer and vendor management
<b>Audit Issue 2</b>	– Enhancement of month-end closing procedures (including regular reconciliation between sales summary of individual customers and the VAT system-generated invoices summary)
<b>Audit Issue 3</b>	– Enhancement of month-end closing procedures (including regular reconciliation of sales and accounts receivable) – Enhancement of documentation and filing management – Enhancement of staff handover procedures
<b>Audit Issue 4</b>	– Prohibition of the use of bill financing
<b>Audit Issue 5</b>	– Enhancement of recognition of purchase – Enhancement of month-end closing procedures (including regular reconciliation of purchases and accounts payable)

Upon completion of the relevant internal control review by Mazars RAS, the Company will publish an announcement to disclose the key findings of such internal control review and details of the further remedial actions taken by the Company, if any.

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, 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 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.

For further details of the indicative timetable, please refer to the Company's announcement dated 19 November 2021. The Company will publish announcement(s) to inform the shareholders of the Company of updates on the abovementioned indicative timetable, as well as 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.

## **SUBMISSION OF REVIEW REQUEST**

As disclosed in the Company's announcement dated 10 December 2021, the Company has submitted a written request to the Stock Exchange for a review of the Decision under Rule 2B.06(2) of the Listing Rules. On 29 December 2021, the Company was informed that the review hearing will be heard on 2 March 2022.

The Company wishes to remind the Shareholders and potential investors that the outcome of the abovementioned review remains uncertain and further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules. Shareholders who have queries about the implications of the Decision are advised to seek appropriate professional advice.

## **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, 14 February 2022

*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.*