



中國恒有源發展集團有限公司
CHYY DEVELOPMENT GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8128)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors of the CHYY Development Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) of The Stock Exchange for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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FINAL RESULTS

The board of directors (“Directors”) of CHYY Development Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022 (“the Year”), together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE	4	119,428	176,835
Cost of sales		<u>(104,307)</u>	<u>(145,595)</u>
Gross profit		15,121	31,240
Other income and gains	4	14,328	19,915
Selling and distribution expenses		(2,837)	(7,277)
Administrative expenses		(51,670)	(70,952)
Impairment losses on trade receivables, net		(38,289)	(38,943)
Impairment losses on prepayments, other receivables and other assets, net		(15,470)	(2,976)
Impairment losses on contract assets, net		(63,323)	(20,796)
Finance costs	5	(5,355)	(6,284)
Fair value changes on investment properties		58	–
Other expenses		(8,120)	(9,566)
Share of results of:			
A joint venture		101	(231)
Associates		<u>(2,250)</u>	<u>4,966</u>
LOSS BEFORE TAX	6	(157,706)	(100,904)
Income tax credit (expense)	7	<u>22,243</u>	<u>(1,423)</u>
LOSS FOR THE YEAR		<u>(135,463)</u>	<u>(102,327)</u>
Attributable to:			
Owners of the Company		(134,332)	(97,329)
Non-controlling interests		<u>(1,131)</u>	<u>(4,998)</u>
		<u>(135,463)</u>	<u>(102,327)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic and diluted (expressed in HK cents)		<u>(2.97)</u>	<u>(2.20)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(135,463)</u>	<u>(102,327)</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translation of foreign operations	<u>(11,001)</u>	<u>15,242</u>
Share of other comprehensive (expense)/income of a joint venture	(62)	26
Share of other comprehensive (expense)/income of associates	<u>(4,236)</u>	<u>1,496</u>
Net other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods	<u>(15,299)</u>	<u>16,764</u>
Other comprehensive (expense)/income that will not be reclassified to profit or loss in subsequent periods:		
(Loss)/gain on property revaluation	(3,440)	5,432
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(1,862)	46,379
Income tax effect	<u>466</u>	<u>(11,550)</u>
	<u>(1,396)</u>	<u>34,829</u>
Net other comprehensive (expense)/income that will not be reclassified to profit or loss in subsequent periods	<u>(4,836)</u>	<u>40,261</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF TAX	<u>(20,135)</u>	<u>57,025</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(155,598)</u>	<u>(45,302)</u>
Attributable to:		
Owners of the Company	(151,179)	(43,258)
Non-controlling interests	<u>(4,419)</u>	<u>(2,044)</u>
	<u>(155,598)</u>	<u>(45,302)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		168,673	201,052
Investment properties		127,001	138,699
Right-of-use assets		1,523	178
Investment in a joint venture		1,293	1,254
Investments in associates		47,980	55,495
Equity investments designated at fair value through other comprehensive income		57,357	64,703
Contract assets		–	20,713
Trade receivables	10	65,468	106,155
Total non-current assets		469,295	588,249
CURRENT ASSETS			
Inventories		15,821	16,935
Properties held for sale		303,949	335,656
Trade receivables	10	23,127	39,830
Prepayments, other receivables and other assets		65,129	108,868
Contract assets		35,482	95,455
Amounts due from related companies		295	567
Equity investments designated at fair value through other comprehensive income		265,308	289,873
Financial assets at fair value through profit or loss		2,880	41
Restricted cash		60	2,391
Time deposits		19,460	698
Cash and cash equivalents		47,043	87,069
Total current assets		778,554	977,383
CURRENT LIABILITIES			
Trade payables	11	199,801	246,441
Other payables and accruals		408,483	460,166
Contract liabilities		33,412	46,759
Amounts due to associates		18,364	15,584
Amount due to a joint venture		223	702
Amounts due to related companies		28,678	31,334
Lease liabilities		6,796	5,929
Tax payable		140,204	183,528
Total current liabilities		835,961	990,443
NET CURRENT LIABILITIES		(57,407)	(13,060)
TOTAL ASSETS LESS CURRENT LIABILITIES		411,888	575,189

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*31 December 2022*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	411,888	575,189
NON-CURRENT LIABILITIES		
Lease liabilities	73,850	86,736
Deferred income	8,955	9,785
Deferred tax liabilities	44,391	50,488
Total non-current liabilities	127,196	147,009
Net assets	284,692	428,180
EQUITY		
Equity attributable to owners of the Company		
Share capital	353,043	353,043
Shares held for Share Award Scheme	(8,169)	(8,169)
Other reserves	(94,059)	57,120
	250,815	401,994
Non-controlling interests	33,877	26,186
Total equity	284,692	428,180

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

CHYY Development Group Limited (formerly known as China Geothermal Industry Development Group Limited) (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability with its shares listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section in this annual report.

The Company and its subsidiaries (collectively referred as the “Group”) were involved in the following principal activities:

- Provision, installation and maintenance of shallow geothermal energy utilisation systems
- Trading of air conditioning/shallow geothermal heat pump products
- Investment in properties for their potential rental income
- Trading of securities and other types of investments

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure required by the Rules Governing the Listing of Securities on GEM on the Stock Exchange and by the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revalued amounts or at fair value at the end of each reporting period, as explained in the accounting policies set out below. These financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

During the year ended 31 December 2022, the Group incurred a net loss of HK\$135,463,000. As at 31 December 2022, the Group had net current liabilities of HK\$57,407,000.

In view of the net current liabilities position, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group’s liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis (Continued)

1. The Group will continue to take active measure to tight cost controls over production costs and administrative expenses and strengthen the collection of project funds to improve the liquidity position;
2. The Group may consider to dispose of non-core businesses and/or financial assets if required;
3. The Group may consider to acquire or explore new revenue stream in order to improve the profitability of the Group; and
4. The Group will seek for new sources of financing or strategic capital investments to finance the Group's working capital and improve the liquidity position should the need arisen.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2022 on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018–2020</i>

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ³
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i> ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) Shallow geothermal energy segment – provision, installation and maintenance of shallow geothermal energy utilisation systems;
- (b) Air conditioning/shallow geothermal heat pump segment – trading of air conditioning/shallow geothermal heat pump products;
- (c) Property investment and development segment – investments in properties for their potential rental income; and
- (d) Securities investment and trading segment – trading of securities and other types of investment.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that share of results of associates and a joint venture, interest income, certain other income, certain administration costs and non-lease-related finance costs are excluded from such measurement.

Segment assets exclude certain investments in associates and a joint venture, time deposits, restricted cash, and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude certain amounts due to associates, a joint venture and related companies, deferred tax liabilities and tax payable as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
Sales to external customers	109,522	9,815	91	–	119,428
Intersegment sales	14,452	508	–	–	14,960
	<u>123,974</u>	<u>10,323</u>	<u>91</u>	<u>–</u>	<u>134,388</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(14,960)</u>
Revenue					<u><u>119,428</u></u>
Segment results	(145,580)	(1,262)	2,947	(161)	(144,056)
<i>Reconciliation:</i>					
Elimination of intersegment results					(336)
Share of results of associates					(2,250)
Share of results of a joint venture					101
Unallocated other income					12,283
Corporate and other unallocated expenses					(22,003)
Finance costs (other than interest on lease liabilities)					<u>(1,445)</u>
Loss before tax					<u><u>(157,706)</u></u>
Segment assets	596,795	41,946	497,205	326,023	1,461,969
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(331,790)
Corporate and other unallocated assets					<u>117,670</u>
Total assets					<u><u>1,247,849</u></u>
Segment liabilities	578,962	43,310	354,651	11,190	988,113
<i>Reconciliation:</i>					
Elimination of intersegment payables					(331,790)
Corporate and other unallocated liabilities					<u>306,834</u>
Total liabilities					<u><u>963,157</u></u>

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information:					
Amounts included in the measure of segment profit or loss or segment assets:					
Depreciation of property, plant and equipment	12,053	162	27	33	12,275
Depreciation of right-of-use assets	934	-	-	-	934
Impairment loss recognised in respect of trade receivables, net	(37,407)	-	(882)	-	(38,289)
Impairment loss recognised in respect of prepayments, other receivables and other assets, net	(13,844)	-	(1,626)	-	(15,470)
Impairment loss recognised in respect of contract assets, net	(63,323)	-	-	-	(63,323)
Impairment of properties held for sale	-	-	(3,786)	-	(3,786)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Investments in associates	47,980	-	-	-	47,980
Investment in a joint venture	1,293	-	-	-	1,293
Share of results of associates	(2,250)	-	-	-	(2,250)
Share of results of a joint venture	101	-	-	-	101
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
Sales to external customers	152,828	15,177	8,830	–	176,835
Intersegment sales	–	10,432	–	–	10,432
	<u>152,828</u>	<u>25,609</u>	<u>8,830</u>	<u>–</u>	<u>187,267</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(10,432)</u>
Revenue					<u><u>176,835</u></u>
Segment results	(92,752)	(1,667)	7,445	7	(86,967)
<i>Reconciliation:</i>					
Elimination of intersegment results					(536)
Share of results of associates					4,966
Share of results of a joint venture					(231)
Unallocated other income					12,177
Corporate and other unallocated expenses					(28,282)
Finance costs (other than interest on lease liabilities)					<u>(2,031)</u>
Loss before tax					<u><u>(100,904)</u></u>
Segment assets	570,873	52,437	546,751	355,335	1,525,396
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(109,683)
Corporate and other unallocated assets					<u>149,919</u>
Total assets					<u><u>1,565,632</u></u>
Segment liabilities	689,944	47,878	130,089	9,553	877,464
<i>Reconciliation:</i>					
Elimination of intersegment payables					(109,684)
Corporate and other unallocated liabilities					<u>369,672</u>
Total liabilities					<u><u>1,137,452</u></u>

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021	Shallow geothermal energy HK\$'000	Air conditioning/ shallow geothermal heat pump HK\$'000	Property investment and development HK\$'000	Securities investment and trading HK\$'000	Total HK\$'000
Other segment information:					
Amounts included in the measure of segment profit or loss or segment assets:					
Depreciation of property, plant and equipment	12,643	217	178	22	13,060
Depreciation of right-of-use assets	874	–	–	–	874
Amortisation of other intangible assets	12	–	–	–	12
Impairment loss recognised in respect of trade receivables, net	38,271	–	672	–	38,943
Impairment loss recognised in respect of prepayments, other receivables and other assets, net	5,197	–	(2,221)	–	2,976
Impairment loss recognised in respect of contract assets, net	20,796	–	–	–	20,796
Write-down of inventories to net realisable value	7,447	–	–	–	7,447
Capital expenditure*	–	–	6	–	6
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Investments in associates	55,495	–	–	–	55,495
Investment in a joint venture	1,254	–	–	–	1,254
Share of results of associates	4,966	–	–	–	4,966
Share of results of a joint venture	(231)	–	–	–	(231)

* Capital expenditure consists of additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are mainly located in Mainland China. All of the Group's revenue from external customers is based on the locations where the services were provided or the goods were delivered and all of the Group's non-current assets are located in Mainland China.

Information about major customers

Information about revenue from major customers which individually accounted for 10% or more of the Group's revenue is shown in the following table:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	16,200	15,186
Customer B	18,879	28,492
	<hr/>	<hr/>
	35,079	43,678
Total revenue	119,428	176,835
Proportion of revenue	<u>29.4%</u>	<u>24.7%</u>

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>	119,337	168,005
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	91	8,830
	<hr/>	<hr/>
	119,428	176,835
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4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Shallow geothermal energy HK\$'000	Air conditioning/ shallow geothermal heat pump HK\$'000	Total HK\$'000
Types of goods or services:			
Sale of industrial products	–	9,815	9,815
Construction services	109,522	–	109,522
Total revenue from contracts with customers	<u>109,522</u>	<u>9,815</u>	<u>119,337</u>
Geographical market:			
Mainland China	<u>109,522</u>	<u>9,815</u>	<u>119,337</u>
Timing of revenue recognition:			
Goods transferred at a point in time	–	9,815	9,815
Services transferred over time	109,522	–	109,522
Total revenue from contracts with customers	<u>109,522</u>	<u>9,815</u>	<u>119,337</u>

For the year ended 31 December 2021

Segments	Shallow geothermal energy HK\$'000	Air conditioning/ shallow geothermal heat pump HK\$'000	Total HK\$'000
Types of goods or services:			
Sale of industrial products	–	15,177	15,177
Construction services	152,828	–	152,828
Total revenue from contracts with customers	<u>152,828</u>	<u>15,177</u>	<u>168,005</u>
Geographical market:			
Mainland China	<u>152,828</u>	<u>15,177</u>	<u>168,005</u>
Timing of revenue recognition:			
Goods transferred at a point in time	–	15,177	15,177
Services transferred over time	152,828	–	152,828
Total revenue from contracts with customers	<u>152,828</u>	<u>15,177</u>	<u>168,005</u>

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2022

Segments	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers:			
External customers	109,522	9,815	119,337
Intersegment sales	14,452	508	14,960
	<u>123,974</u>	<u>10,323</u>	<u>134,297</u>
Intersegment adjustments and eliminations	(14,452)	(508)	(14,960)
	<u>109,522</u>	<u>9,815</u>	<u>119,337</u>

For the year ended 31 December 2021

Segments	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers:			
External customers	152,828	15,177	168,005
Intersegment sales	–	10,432	10,432
	<u>152,828</u>	<u>25,609</u>	<u>178,437</u>
Intersegment adjustments and eliminations	–	(10,432)	(10,432)
	<u>152,828</u>	<u>15,177</u>	<u>168,005</u>

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction services	<u>18,369</u>	<u>27,159</u>

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 90 days from delivery. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<u>65,540</u>	<u>158,578</u>

All the amounts of transaction prices allocated to the performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income		
Interest income	5,095	5,673
Sale of scrap materials	–	416
Government grants (<i>note</i>)	1,670	1,255
Dividend income from equity investments at fair value through other comprehensive income	2,301	747
Others	2,297	5,509
	<u>11,363</u>	<u>13,600</u>
Other gains		
Gain on deemed disposal of interest in a joint venture	–	995
Gain on disposal of subsidiaries	2,965	5,313
Fair value changes on financial assets at fair value through profit or loss	–	7
	<u>2,965</u>	<u>6,315</u>
	<u><u>14,328</u></u>	<u><u>19,915</u></u>

Note: Government grants have been received in respect of certain heating projects of the Group. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank loans and other loans	1,445	1,931
Interest on lease liabilities	3,910	4,253
Guarantee fee on bank and other borrowings	–	100
	<u>5,355</u>	<u>6,284</u>

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	9,410	14,352
Cost of services provided	94,897	131,243
Depreciation of property, plant and equipment	12,275	13,060
Depreciation of right-of-use assets	934	874
Amortisation of other intangible assets	–	12
Research and development costs	2,823	4,874
Lease payments not included in the measurement of lease liabilities	8	274
Auditor's remuneration	1,161	2,844
Employee benefit expense (including directors' and chief executives' remuneration):		
Wages and salaries	45,075	64,770
Pension scheme contributions	2,336	3,044
	<u>47,411</u>	<u>67,814</u>
Write-down of inventories to net realisable value*	–	7,447
Impairment of properties held for sale*	3,786	–
Fair value loss on financial assets at fair value through profit or loss*	161	–
Fair value gain on financial assets at fair value through profit or loss	–	(7)
Loss on disposal of an associate*	51	57
Loss on disposal of property, plant and equipment*	72	6

* Those items are included as “other expenses” in the consolidated statement of profit or loss.

7. INCOME TAX (CREDIT) EXPENSE

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group was not subject to any income tax in the Cayman Islands and the BVI during both years.

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax during both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulation of the EIT Law, except as stated below, the tax rate of all the other PRC subsidiaries is 25% from 1 January 2008 onwards.

7. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

Pursuant to the income tax rules and regulations of the PRC, certain subsidiaries were recognised as high and new technology enterprises and the income tax rate applicable to these subsidiaries was 15% for the year ended 31 December 2022 (2021: 15%).

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Mainland China	1,762	1,433
Over-provision in prior years	(23,097)	–
Deferred	(908)	(10)
	<u> </u>	<u> </u>
Income tax (credit) expense for the year	<u>(22,243)</u>	<u>1,423</u>

8. DIVIDENDS

During the years ended 31 December 2022 and 2021, no final dividend was declared and paid to the shareholders of the Company.

Subsequent to the end of the reporting period, no final dividend in respect of the year ended 31 December 2022 has been proposed by the directors of the Company.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,526,925,000 (2021: 4,418,884,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculations of basic and diluted loss per share are based on:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company	<u>(134,332)</u>	<u>(97,329)</u>

	Number of shares	
	2022 <i>'000</i>	2021 <i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	<u>4,526,925</u>	<u>4,418,884</u>

10. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	278,381	311,002
Impairment	<u>(189,786)</u>	<u>(165,017)</u>
Trade receivables, net	88,595	145,985
Less: Non-current portion	<u>(65,468)</u>	<u>(106,155)</u>
Current portion	<u><u>23,127</u></u>	<u><u>39,830</u></u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 90 days	76,749	127,954
91 to 180 days	648	1,740
181 to 365 days	3,494	6,004
Over 365 days	<u>7,704</u>	<u>10,287</u>
	<u><u>88,595</u></u>	<u><u>145,985</u></u>

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 90 days	39,973	73,633
91 to 180 days	16,372	2,047
181 to 365 days	12,261	6,334
Over 365 days	<u>131,195</u>	<u>164,427</u>
	<u><u>199,801</u></u>	<u><u>246,441</u></u>

The trade payables are non-interest-bearing and are normally settled on terms of six months.

FINANCIAL HIGHLIGHTS

Income Allocation

	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
1. Shallow geothermal energy utilisation system				
Including: Planning and Design	–	–	12	–
Supply of renewable energy	1,065	0.88	6,673	4
Engineering construction	81,697	68.41	114,576	65
Operation and maintenance	26,760	22.41	31,567	18
2. Air conditioning/shallow geothermal heat pump	9,815	8.22	15,177	8
3. Property investment and development	91	0.08	8,830	5
Total revenue	<u>119,428</u>	<u>100</u>	<u>176,835</u>	<u>100</u>

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	119,428	176,835
Gross profit	15,121	31,240
Loss before tax	(157,706)	(100,904)
Loss for the year	(135,463)	(102,327)
Research and development costs		
(included in the administrative expenses)	2,823	4,874
Impairment losses on trade receivables, net	38,289	38,943
Impairment loss recognised in respect of		
prepayments, other receivables and other assets, net	15,470	2,976
Impairment losses on uncertainty in respect of		
contract assets, net	<u>63,323</u>	<u>20,796</u>

As at 31 December 2022 & 2021

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	778,554	977,383
Total assets	1,247,849	1,565,632
Net current liabilities	(57,407)	(13,060)
Total equity	<u>284,692</u>	<u>428,180</u>

FINANCIAL REVIEW

For the year ended 31 December 2022, the loss of the Group amounted to approximately HK\$135,463,000 and revenue amounted to HK\$119,428,000 as compared with the loss of the Group amounted to HK\$102,327,000 and revenue amounted to approximately HK\$176,835,000 for the year ended 31 December 2021. For more detailed information, please refer to the consolidated financial statements for the year ended 31 December 2022 and 2021.

OPERATIONAL RESULTS

Total revenue from operations for the year ended 31 December 2022 was approximately HK\$119,428,000 as compared with HK\$176,835,000 for the year ended 31 December 2021, representing a decrease of approximately 32.46%. The decrease in revenue was mainly attributable to the contract signed for the engineering projects this year and the projects under construction carried over during the same period decreased causing the decrease in the revenue from alternative energy engineering projects, and on the other hand, the significant decrease in the sales of heat pump products as compared with the same period last year. During the year ended 31 December 2021, the Group recorded a net loss of approximately HK\$135,463,000 as compared with a net loss of approximately HK\$102,327,000 for the year ended 31 December 2021.

GROSS PROFIT MARGIN

Gross profit from the Group's operations for the year ended 31 December 2022 was approximately HK\$15,121,000, represented the gross profit margin of 12.66% (2021: approximately HK\$31,240,000, represented the gross profit margin of 17.67%). The Group's gross profit margin for the Year is basically drop 5.01% last year.

SELLING & DISTRIBUTION EXPENSES

Selling and distribution expenses for this year decreased by approximately HK\$4,440,000 or 61.01% compared with 31 December 2021. The selling and distribution expenses decreased mainly due to the decreased in salaries structure improvement, internal expenses control and cost control, the salaries expenses, travelling expenses and business operation expenses are significant decline.

ADMINISTRATIVE EXPENSES

Administrative expenses amounted to approximately HK\$51,670,000 (decreased by approximately 27.18%) and HK\$70,952,000 for the years ended 31 December 2022 and 2021 respectively. The decrease in administrative expenses was mainly due to the effective cost control taken by the Group through the implementation of budget control and the strengthening of salary management measures which greatly reduced the expenses such as salaries, business operation expenses, and travelling expenses and professional fees.

OTHER EXPENSES

Other expenses for the year ended 31 December 2022 amounted to approximately HK\$8,120,000 (2021: HK\$9,566,000). The decrease in 15.12% other expenses for the Year as compared to last year.

SHARE-BASED PAYMENT EXPENSES

During the year ended 31 December 2022, the Group had not incurred any share-based payment expenses.

ORDER BOOK

As at 31 December 2022, the Group had contracts on hand of approximately HK\$65,540,000 (2021: approximately HK\$158,578,000).

SEGMENTAL INFORMATION

The Group's reportable and operating segment consists of shallow geothermal energy, air conditioning/shallow geothermal heat pump, property investment and development and securities investment and trading segments.

Shallow geothermal energy

The Group has always been committed to promote the development of non-combustion emerging industry of integrated heating and cooling with geothermal energy. It is the only enterprise in the country that possesses the business capabilities of design qualification, design capability, construction qualification, construction capability, operation and maintenance, main engine production and contract energy management. The Company is also the only patent holder of the original single-well circulation heat exchange energy collection technology and owns the largest number of patented technologies in the industry. Leveraging on existing resources and integrating industrial chain service capabilities, the Group features various professional sectors. Currently, the Group has formed five major segments of planning and design, supply of renewable energy, intelligent manufacturing, engineering construction and operation and maintenance.

Air conditioning/shallow geothermal heat pump

The Group continued the promotion of its air conditioning/shallow geothermal heat pump business, compared with the same period, the decline has been significant, in view of this, the Group will continue to improve product quality, reduce costs and improve market competitiveness according to changes in market needs.

Properties investment and development

The Group continues to focus on its core businesses of shallow geothermal energy utilization system and continue to provide necessary funding to support the core business. During the Year, we have been continuously looking for suitable opportunities or third parties to dispose of the assets with relatively low returns in order to improve the capital efficiency and to supplement the working capital of the Group.

Securities investment and trading

The Group invested the idle fund for trading of securities and other types of investments in order to increase the Group's income. Further information regarding the Group's operating segments may be referred to note 4 "Operating Segment Information" of this report.

FINANCIAL RESOURCES AND LIQUIDITY

Net current liabilities of the Group as at 31 December 2022 was approximately HK\$57,407,000 (2021: approximately HK\$13,060,000).

As at 31 December 2022, the Group had cash and cash equivalents of approximately HK\$47,043,000 (2021: approximately HK\$87,069,000). Cash and cash equivalents on the consolidated statement of financial position include funds available for general corporate purposes.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing certain measures. Details of which could be referred to note 2.1 of the notes to the consolidated financial statements of this annual report.

CHARGES OF GROUP ASSETS

As at 31 December 2022, the Group had no charges on assets.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Company's reporting currency is in Hong Kong dollars and most of the trading transactions and cost incurred by the Group are principally denominated in Hong Kong dollars and Renminbi. The Group continued to adopt a conservative treasury policy by keeping most of the bank deposits in either Hong Kong dollars or Renminbi to minimise exposure to foreign exchange risks.

As at 31 December 2022, the Group had no foreign exchange contracts.

GEARING RATIO

The gearing ratio of the Group, based on total net debt (including interest-bearing bank and other borrowings, lease liabilities, trade payables, financial liabilities included in other payables and accruals, less cash and cash equivalents) to the equity (representing equity attributable to owners of the Company) plus net debt of the Group, was approximately 62.7% as at 31 December 2022 (2021: 51.2%).

EMPLOYEES

As at 31 December 2022, the Group has approximately 307 employees (2021: approximately 475). The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.

SHARE AWARD SCHEME

On 15 January 2020, the Company has adopted a share award scheme (the “Share Award Scheme”) with the objective to attract, retain and incentivize key employees, executive officers, directors and consultants of the Company and its subsidiaries to retain them for the continual operations and development of the Group. Pursuant to the Scheme Rules, the Board may, from time to time, at their absolute discretion select the eligible persons to participate in the Share Award Scheme and determine the number of shares to be awarded (“Award Shares”) to the selected participants. The Board shall have the power to impose any conditions on the rights of selected participants to the Award Shares when deemed appropriate. The detailed disclosures relating to the Company’s Share Award Scheme are set out in note 35 to the financial statements of the Company’s annual report.

CONTINGENT LIABILITIES

As at 31 December 2022, the Company did not have any contingent liabilities not provided in the financial statements (2021: Nil).

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

CAPITAL STRUCTURE

As at 31 December 2022, the authorised share capital of the Company was US\$160,000,000 divided into 16,000,000,000 ordinary shares of US\$0.01 each and the issued share capital was 4,526,925,163 ordinary shares of US\$0.01 each.

EVENTS AFTER THE REPORTING PERIOD

- (1) In November 2021, Ever Source Investment Management Co., Ltd. (“Ever Source Investment”), a wholly owned subsidiary of the Company, received a civil complaint from Shanghai Gangze Trading Company Limited* (上海港澤貿易有限公司) (“Shanghai Gangze”) against Ever Source Investment and Beijing Rungu Investment Co., Ltd. (北京潤古投資有限公司) (“Beijing Rungu”), requesting Beijing First Intermediate People’s Court to (i) order the cancellation of the Equity Transfer Agreement and the Supplemental Equity Transfer Agreement; (ii) order Ever Source Investment to return the equity transfer amount of RMB237,000,000 to Shanghai Gangze and compensate for the provisional interest loss of RMB8,217,995.83, totaling RMB245,217,995.83; (iii) order Beijing Rungu to bear joint and several liabilities for the aforementioned interest loss; and (iv) order Ever Source Investment and Beijing Rungu to bear the litigation costs, preservation fees and preservation guarantee fees for the case.

In January 2022, Ever Source Investment was notified by Beijing Life Insurance Co., Ltd. (“Beijing Life”) that they received a notice of assistance in enforcement and a civil ruling issued by the Beijing First Intermediate People’s Court. According to the civil ruling, the court ruled to implement the assets preservative measures applied by Shanghai Gangze (as the applicant) against Ever Source Investment (as the respondent) and Beijing Rungu (as the respondent) by freezing the bank deposits or seizure and impounding the assets with the equivalent sum that held by Ever Source Investment and Beijing Rungu respectively. The limits imposed on Ever Source Investment and Beijing Rungu are RMB245,217,995.83 and RMB8,217,995.83 respectively. In addition, according to the notice of assistance in enforcement, Beijing Life is required to assist in freezing the 4.99965% equity interest of Beijing Life held by Ever Source Investment, corresponding to the paid-up capital of RMB142,990,000, for 3 years commencing from 12 January 2022 to 11 January 2025. During the freezing period, transfer, sale and pledge of the above equity interests are prohibited without the permission of the court. At the reporting date, Ever Source Investment’s bank account with Beijing Rural Commercial Bank has been frozen with the amount of RMB50,288.

In November 2022, Ever Source Investment received a civil judgement (the “Civil Judgement”) in respect of the litigation case No. (2021) Jing 01 Min Chu No.860 ((2021)京01民初860號) from the First Intermediate People’s Court of Beijing (the “Beijing Court”). According to the Civil Judgement, the Beijing Court ruled that the Plaintiff Shanghai Gangze shall perform that (i) Shanghai Gangze shall compensate Ever Source Investment for the loss of legal fees of RMB200,000 within 10 days after this judgment takes into effect; and (ii) reject all claims from Shanghai Gangze. If Shanghai Gangze failed to perform its monetary obligation within the period specified in this judgment, it shall pay double the debt interest during the delayed performance period in accordance with the provisions of Article 260 of the Civil Procedure Law of the People’s Republic of China. The acceptance fee of the case, the property preservation fee and the acceptance fee of the counterclaim case are all borne by Shanghai Gangze.

In December 2022, Shanghai Gangze Trading Company Limited (上海港澤貿易有限公司) filed an appeal so far the second instance has not yet been heard, the industrial and commercial registration has not been changed and Ever Source Investment is still a shareholder of Beijing Life.

The Company considered that the above court ruling has no significant adverse effect on the normal operation and financial of the Group. The Company will vigorously respond to the litigation and will make further announcement(s) to keep its shareholders and investors informed of any significant development of the litigation as and when appropriate.

- (2) On 22 September 2023, a wholly-owned subsidiary of the Company (Ever Source Science and Technology Development Group., Ltd.) (the “Vendor”) entered into this Agreement with Sichuan Chonghong Air Condition Co., Ltd (the “Purchaser”), pursuant to which the Seller agreed to sell for a consideration of RMB19.618 million, and the Purchaser agreed to acquire 34% of the equity interest in Target company Hong Yuan Ground Source Heating Pump Technology Co., Ltd. for a consideration of RMB19.618 million. After the completion of the transaction, the Group will still hold 15% of the equity interest in Hong Yuan Ground Source Heating Pump Technology Co., Ltd., which will still be recorded as an associate of the Company in the Group’s consolidated financial statements. For details, please refer to the Company’s announcement on 22 September 2023.

CAPITAL COMMITMENT

Details of capital commitments are set out in note 41 to the financial statements of the Company’s Annual Report.

FUTURE PLANS FOR SUBSTANTIAL INVESTMENTS OF CAPITAL ASSETS

The Group did not have any future plans for substantial investments of capital asset as at 31 December 2022.

MAJOR ACQUISITIONS AND DISPOSALS

No major acquisitions or disposal transactions during the year.

BUSINESS REVIEW AND OUTLOOK

The Group is mainly engaged in the green renewable shallow geothermal energy supply sector, the green energy heating complete product manufacturing and sales sector, the green energy heating system engineering sector, and the green energy heating service sector. The Group has always adhered to the “single-well circulation heat exchange” method to promote shallow geothermal energy as an alternative energy source for heating. This method uses groundwater as the “medium” to continuously collect shallow low-temperature heat energy within 200 meters underground. By pressurizing through system closure, this technology achieves 100% recharge of groundwater in the same well without affecting the quality of the groundwater, and effectively solves the problem which often arises and has plagued the industry for many years of extracting heat from groundwater in the “one pumping and one filling” or “one pumping and multiple filling” modes. Meanwhile, it directly converts low-grade heat energy in water into high-grade heat energy, which can save more than 60% of electric energy compared with electric heating. The Group will strive to improve people’s quality of life and pursue the harmonious symbiosis between human and nature.

The year 2022 was a critical year for the Group’s reform. The Group has continuously improved its project budget, independent accounting system, compensation management, assessment system, approval authority and process to adapt to the declining performance of the Group, and has achieved sound results, with only sales and management expenses falling significantly compared with the same period last year.

During the period under review, the Group recorded revenue of approximately HK\$119,428,000 as compared to approximately HK\$176,835,000 for the corresponding period of the previous year. Revenue decreased by approximately HK\$57,407,000. The main reasons for the decrease in revenue are as follows:

1. The simultaneous decrease in new engineering project contracts and existing projects under construction during the reporting year has led to a significant decrease in revenue from alternative energy engineering projects.
2. Contracts for the sale of products decreased to varying degrees compared with the same period last year.

During the period under review, the Group gradually improved its business management system, resolved to rise to the challenge, focused on market expansion, project settlement, cost saving and project payment clearance, and made concerted efforts to overcome the difficulties in each of the key tasks.

In the future, the Group will integrate relevant national policies and adopt differentiated market strategies to promote shallow geothermal energy as an alternative energy source for heating. While attaching importance to the utilization of shallow geothermal energy in traditional urban areas, the Group will also satisfy the growing demand for heating in the southern regions and promote the utilization of geothermal energy in the alpine regions of Yunnan and Guizhou; according to the resource endowments of each region, the Group will actively develop the use of surface water source heat pumps for heating and cooling in the mid- to downstream regions of the Yangtze River with abundant surface water resources; for heating demand with a low degree of centralization, the Group will actively adopt ground source heat pumps with buried pipes for heating and cooling under the condition of satisfying the heat balance of the soil; and for areas with suitable hydrological and geological conditions and in compliance with the requirements for the protection of groundwater resources, the Group will actively and steadily promote groundwater source heat pumps for heating and cooling under the condition of ensuring that the same amount of water from the same aquifer will be reimbursed and groundwater will not be contaminated. It is believed that this will open up significant development opportunities for the Group to explore new markets.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 15 of the GEM Listing Rules. During the Year, the Company has complied with the Code except for the deviations which are explained as follows:–

Code provision C.1.6 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

Code provision F.2.2 of the Code requires that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Due to their engagement in other business, Mr. Zhang Yiying the non-executive Director and Mr. Jia Wenzeng the independent non-executive Director (being the Chairman of the Audit Committee of the Company) did not attend the annual general meeting held on 30 June 2022. Besides, Mr. Zhang Yiying the non-executive Director, Mr. Wu Qiang, Mr. Jia Wenzeng and Mr. Guan Chenghua the independent non-executive Directors were unable to attend the extraordinary general meeting held on 10 November 2022 due to their business commitments.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests, with the Group.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes, risk management and internal control systems of the Group, to make recommendations to the Board in relation to the appointment, re-appointment and removal of external auditor and to provide advice and comments to the Board accordingly.

The audit committee currently consists of four independent non-executive Directors, namely Mr. Jia Wenzeng (chairman of the audit committee), Mr. Wu Desheng, Mr. Wu Qiang and Mr. Guan Chenghua.

The Audit Committee has reviewed the Group's audited final results for the year ended 31 December 2022 and has provided advice and comments thereon. The Audit Committee held six meetings during the year.

SCOPE OF WORK OF CL PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's independent auditor, CL Partners CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by CL Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CL Partners CPA Limited on the preliminary announcement.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not adopted its own code of conduct regarding securities transactions by directors, but having made specific enquiry of all directors, the Company reported that during the year, the directors have complied with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and its code of conduct regarding securities transactions by directors.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

By Order of the Board of
CHYY Development Group Limited
Xu Shengheng
Chairman

Hong Kong, 25 September 2023

As at the date of this announcement, the Board comprises Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine and Mr. Dai Qi as executive Directors, Mr. Liao Yuan, Mr. Zhang Yiying and Ms. Liu Ening as non-executive Directors, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Jia Wenzeng and Mr. Guan Chenghua as independent non-executive Directors.