



# 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

### THIRD QUARTERLY REPORT 2023

## Technology and Resources Links



## **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**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.**

*This report, for which the directors of 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 report 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 report misleading.*

*The original report of CHYY Development Group Limited is prepared in the Chinese language. This report is translated into English. In the event of any inconsistencies between the English and the Chinese version, the latter shall prevail.*

## HIGHLIGHTS

Revenue for the nine months ended 30 September 2023 (the “Review Period”) amounted to approximately HK\$61,195,000.

Net loss after tax of the Group for the Review Period amounted to approximately HK\$131,000.

No dividend was declared for the Review Period.

## FINANCIAL REVIEW

The following table provides a brief summary of the financial results of CHYY Development Group Limited (the “Company”) and its subsidiaries (collectively the “Group”). For more detailed information, please refer to the unaudited consolidated financial statements for the Review Period and for the nine months ended 30 September 2023.

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
– Shallow geothermal energy	<b>26,458</b>	14,573	<b>55,435</b>	60,060
– Air conditioning/shallow geothermal heat pump	–	3,434	<b>1,000</b>	3,621
– Property investment and development	<b>360</b>	1,735	<b>4,760</b>	6,410
	<b>26,818</b>	19,742	<b>61,195</b>	70,091
Loss for the period	<b>15,891</b>	(7,748)	<b>(131)</b>	(44,911)
Loss attributable to owners of the parent	<b>19,085</b>	(7,207)	<b>3,523</b>	(43,231)

During the Review Period, the Group recorded revenue of approximately HK\$61,195,000 mainly from the shallow geothermal energy business, as compared to approximately HK\$70,091,000 recorded for the same period of last year. The revenue decreased by approximately HK\$8,896,000 as compared to the same period of last year. During the period, the revenue of shallow geothermal energy system decreased, mainly due to the decrease in projects under construction compared with the same period, resulting in a reduction in the final revenue scale. The gross profit margin of the Group increased by 4.91% compared with the same period of last year. The gross profit margin for the nine months ended 30 September 2023 was 24.48%, as compared to 19.57% for the same period last year.

Other income and gains increased from approximately HK\$3,659,000 in the same period last year to approximately HK\$10,453,000 for the nine months ended 30 September 2023, mainly due to gains from the sale of equity interests in associates of HK\$2.9 million and income of HK\$3.66 million that does not need to pay payables and other income.

For the nine months ended 30 September 2023 and 2022, sales and distribution expenses were approximately HK\$10,514,000 and HK\$13,555,000 respectively. Sales and distribution expenses decreased for the period under review compared to the same period last year, mainly due to the Group's continuous cost reduction and expense saving, and the reduction of some expenses caused by the salary reform.

During the Review Period, administrative expenses decreased by approximately HK\$2,430,000 or 6.72% as compared with that of same period last year. The decrease in administrative expenses was mainly due to the Company has adopted measures such as internal cost control and salary reform, which have led to a reduction in salary.

For the nine months ended 30 September 2023, financing costs was approximately HK\$2,775,000, as compared to approximately HK\$4,348,000 for the same period last year. Financing costs are mainly attributable to leases.

For the nine months ended 30 September 2023, the loss for the period was approximately HK\$131,000, compared with the loss for the same period last year was approximately HK\$44,911,000. Revenue during the period narrowed but the loss was still approximately HK\$44,780,000 lower than the same period last year. Mainly this is due to clawbacks and cost reductions.

## **BUSINESS REVIEW AND OUTLOOK**

During the period under review, the Group recorded revenue of approximately HK\$61,195,000, a decrease of approximately HK\$8,896,000 compared with the same period last year. This was mainly due to the decline in revenue from shallow geothermal energy utilization systems during the period. The Group's gross profit margin increased by 4.91% compared with the same period last year percentage point, the gross profit margin in the first nine months was 24.48%.

During the review period, the group company has planned and implemented market business development through various methods to provide for projects of different scales, different construction needs, and different standard requirements, we can efficiently provide construction and operation options in a variety of ways. By providing professional services, we gradually gain customer trust and satisfaction. While conducting business, we continue to strengthen the management of past payments. For collection work, we carefully sort out the terms of the debtor's contract, actively contact and communicate with customers, and discuss repayment methods and deadlines. Clearly state the group company's demands. At the same time, some projects have been recovered through legal proceedings and other means. The effect is more obvious during the period of consideration, easing the demand for funding of our daily operating activities.

During the review period, the Group further strengthened its internal control management, strengthened contract management, and actively reviewed contracts. Register and archive, follow up on contract performance; promote system integration, improve and update internal control flow charts, and improve efficiency; standardize management and continue to improve on the employee compensation system, performance appraisal system, and job responsibility system; strengthen budget management, Implement pre-budgeting, in-process control, and post-event final accounts.

The goal of the group's industrial development is to replace the combustion of fossil energy with a cost not higher than that of traditional energy. To achieve under the harshest climatic conditions, it is stable to ensure the comfortable life of people, the survival and growth of animals and plants in the right temperature for the right ambient space. Provide an environment that matches different building climate regions System design solutions and complete sets of products, is the alternative energy application technology promoter. Although, in the near future, business regulations the mold is tightened, and the market development is not ideal, but the group company still believes that the industry by following the national industrial policy will continue to prosper.

At the end of August 2023, the Beijing Municipal Development and Reform Commission issued the "On Strengthening the Promotion of the Transformation and Utilization of Inefficient Industrial Space." Implementation Plan for the High-quality Development of the Industry"; in which it clearly states that "there are provisions for the use of renewable energy. The heating can be based on ground source, reclaimed water or air source heat pumps to provide a huge market space.

In order to improve the new energy business segment, the Group is currently seeking another new energy business, hydrogen energy and hydrogen combustion material battery"; this kind of battery has obvious advantages in high power and long battery life, especially in harsh climatic conditions. In the need for high-power, long-endurance carrying equipment, it shows irreplaceable advantages.

## **FINANCIAL RESULTS**

The Board of Directors (the "Board") of CHYY Development Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and nine months ended 30 September 2023 together with the unaudited comparative figures for the corresponding periods in 2022 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2023

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	26,818	19,742	61,195	70,091
Cost of sales		(20,697)	(13,662)	(46,213)	(56,371)
Gross profit		6,121	6,080	14,982	13,720
Other income and gains	3	4,714	885	10,453	3,659
Selling and distribution expenses		(4,277)	(4,670)	(10,514)	(13,555)
Administrative expenses		(10,552)	(7,541)	(33,719)	(36,149)
Gain on disposal of a subsidiary		(32)	-	3,162	-
Impairment and net reversal of contract assets		23,777	-	24,619	-
Finance costs	4	(723)	(1,811)	(2,775)	(4,338)
Others expenses		(1,023)	(24)	(1,551)	(117)
Share of profits and losses of:					
A joint venture		(220)	(160)	(310)	(474)
Associates		1,011	348	(1,575)	(6,886)
Fair value changes on financial assets designated at fair value through profit or (loss)		-	(859)	-	(859)
<b>Profit or (Loss) before tax</b>	5	<b>18,796</b>	(7,752)	<b>2,772</b>	(44,999)
Income tax expense	6	(2,905)	4	(2,903)	88
<b>Profit or (Loss) for the period</b>		<b>15,891</b>	(7,748)	<b>(131)</b>	(44,911)
Attributable to:					
Owners of the parent		19,085	(7,207)	3,523	(43,231)
Non-controlling interests		(3,194)	(541)	(3,654)	(1,680)
		<b>15,891</b>	(7,748)	<b>(131)</b>	(44,911)
<b>Profit or (Loss) per share attributable to ordinary equity holders of the parent</b>					
Basic and diluted (expressed in HK\$ cents)	8	<b>0.422</b>	(0.162)	<b>0.078</b>	(0.974)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2023

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Profit or (Loss) for the period</b>	<b>15,891</b>	(7,748)	<b>(131)</b>	(44,911)
<b>Other comprehensive (loss)/income:</b>				
<b>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</b>				
Exchange differences:				
Exchange differences on translation of foreign operations	<b>2,355</b>	(15,827)	<b>(920)</b>	(22,405)
Share of other comprehensive loss of a joint venture	<b>(2,117)</b>	–	<b>(2,357)</b>	–
Share of other comprehensive income of associates	<b>349</b>	8,637	<b>(579)</b>	6,687
<b>Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods</b>	<b>587</b>	(7,190)	<b>(3,856)</b>	(15,718)

# CHYY Development Group Limited

Third Quarterly Report 2023

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</b>				
Equity investments designated at fair value through other comprehensive income:				
Changes in fair value	-	-	-	-
Loss on property revaluation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</b>	<b>587</b>	<b>(7,190)</b>	<b>(3,856)</b>	<b>(15,718)</b>
	<u>587</u>	<u>(7,190)</u>	<u>(3,856)</u>	<u>(15,718)</u>
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive (loss) for the period</b>	<b>16,478</b>	<b>(14,938)</b>	<b>(3,987)</b>	<b>(60,629)</b>
	<u>16,478</u>	<u>(14,938)</u>	<u>(3,987)</u>	<u>(60,629)</u>
Attributable to:				
Owners of the parent	19,537	(11,949)	586	(55,208)
Non-controlling interests	(3,059)	(2,989)	(4,573)	(5,421)
	<u>16,478</u>	<u>(14,938)</u>	<u>(3,987)</u>	<u>(60,629)</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 30 September 2023*

## 1. CORPORATE INFORMATION

CHYY Development Group Limited (the “Company”) was incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on the 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 P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and 8/F, Chung Hing Commercial Building, 62-63 Connaught Road Central, Hong Kong respectively.

During the nine months ended 30 September 2023, the Group was involved in the following principal activities:

- Provision, installation and maintenance of shallow geothermal energy utilisation system
- 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. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The condensed consolidated financial statements for the nine months ended 30 September 2023 have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with Hong Kong Accounting Standard 34 (“HKAS 34”), Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements for the nine months ended 30 September 2023 are consistent with those adopted in the annual financial statements for the year ended 31 December 2022. The condensed consolidated interim financial statements for the nine months ended 30 September 2023 should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

On 1 January 2023, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and interpretations that are effective from that date and are relevant to its operations. The adoption of these new/revised HKFRSs, amendments and interpretations has no material effect on the results reported for the current or prior periods.

### 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue from contracts with customers				
Revenue from other sources	<b>26,458</b>	18,007	<b>56,435</b>	63,681
Gross rental income	<b>360</b>	1,735	<b>4,760</b>	6,410
	<b>26,818</b>	19,742	<b>61,195</b>	70,091
<b>Types of goods or services</b>				
Sale, installation and maintenance of shallow geothermal energy utilisation system	<b>26,458</b>	14,573	<b>55,435</b>	60,060
Sale of air conditioning/ shallow geothermal heat pump products	–	3,434	<b>1,000</b>	3,621
Rental income	<b>360</b>	1,735	<b>4,760</b>	6,410
<b>Total revenue</b>	<b>26,818</b>	19,742	<b>61,195</b>	70,091
<b>Geographical market</b>				
Mainland China	<b>26,818</b>	19,742	<b>61,195</b>	70,091
<b>Total revenue</b>	<b>26,818</b>	19,742	<b>61,195</b>	70,091

**CHYY Development Group Limited**

Third Quarterly Report 2023

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	–	3,434	<b>1,000</b>	3,621
Services transferred over time	<b>26,458</b>	16,308	<b>60,195</b>	66,470
<b>Total revenue from contracts with customers</b>	<b>26,458</b>	18,007	<b>56,435</b>	63,681
<b>Rental income</b>	<b>360</b>	1,753	<b>4,760</b>	6,410
<b>Total revenue</b>	<b>26,818</b>	19,742	<b>61,195</b>	70,091

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Other income</b>				
Interest income	34	50	414	175
Selling waste	261	-	450	-
Dividend income from financial assets at fair value through profit or loss	2	25	2	25
Dividend income from financial assets at fair value through other comprehensive income	-	-	1,288	-
Exemption of pre-tax payables	1,152	-	3,661	-
Government grants ( <i>Note</i> )	863	742	863	742
Others	2,605	68	3,978	2,717
	<u>4,917</u>	<u>885</u>	<u>10,656</u>	<u>3,659</u>
<b>Loss</b>				
Fair value change on financial assets at fair value through profit or loss	(203)	(859)	(203)	(859)
	<u>4,714</u>	<u>26</u>	<u>10,453</u>	<u>2,800</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.

#### 4. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on bank loans				
Other interests	75	866	388	1,400
Interest on lease liabilities	648	945	2,387	2,938
	<u>723</u>	<u>1,811</u>	<u>2,775</u>	<u>4,338</u>

#### 5. (LOSS) BEFORE TAX

(Loss) before tax is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of inventories sold	7,688	18,110	18,023	25,367
Cost of services provided	13,005	24,598	28,190	31,004
Depreciation	804	3,710	4,268	4,900
Employee benefit expense (including directors' and chief executive remuneration)	9,447	23,000	27,157	31,120

## 6. INCOME TAX EXPENSE

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

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 periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and 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.

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 nine months ended 30 September 2023 (nine months ended 30 September 2022: 15%).

	Three months ended		Nine months ended	
	30 September	2022	30 September	2022
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current – Mainland China	2,905	172	2,903	88
Deferred	-	-	-	-
Total tax charge for the period	<u>2,905</u>	<u>172</u>	<u>2,903</u>	<u>88</u>

## 7. DIVIDENDS

No interim dividend was paid, declared or proposed during the nine months ended 30 September 2023, nor has any dividend been proposed since the end of the reporting period (nine months ended 30 September 2022: Nil).

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,526,925,000 (2022: 4,433,055,000) in issue during that period.

The calculation of the basic and diluted loss per share based on:

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>(Loss)</b>				
Loss for the period attributable to ordinary equity holders of the parent	<b>19,085</b>	(7,207)	<b>3,523</b>	(43,231)
	'000	'000	'000	'000
<b>Shares</b>				
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculations	<b>4,526,925</b>	4,433,055	<b>4,526,925</b>	4,433,055

## 9. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2023

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Share capital	Share premium	Shares held for share award scheme	Statutory reserve	Assets revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Exchange fluctuation	Accumulated losses	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 31 December 2021 (audited)	353,043	906,013	(8,169)	2,935	45,448	154,381	7,553	65,707	(907)	(1,144,010)	401,994	28,186	4,432,180
Loss for the period	-	-	-	-	-	-	-	-	-	(43,231)	(43,231)	(1,680)	(44,911)
Other comprehensive income/ (loss) for the period	-	-	-	-	-	-	-	-	(12,174)	-	(12,174)	(3,741)	(15,915)
Total comprehensive income/ (loss) for the period	-	-	-	-	-	-	-	-	(12,174)	(43,231)	(55,405)	(5,421)	(60,826)
At 30 September 2022 (unaudited)	353,043	906,013	(8,169)	2,935	45,448	154,381	7,553	65,707	(13,081)	(1,187,241)	346,589	20,765	3,672,564

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Share capital	Share premium	Shares held for share award scheme	Statutory reserve	Assets revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Exchange fluctuation	Accumulated losses	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 31 December 2022 (audited)	353,043	906,013	(8,169)	5,733	38,353	154,381	7,553	65,428	(11,799)	(1,278,726)	250,815	33,877	284,892
Loss for the period	-	-	-	-	-	-	-	-	-	3,523	3,523	(3,654)	(191)
Other comprehensive income/ (loss) for the period	-	-	-	-	-	-	-	-	(2,837)	-	(2,837)	(919)	(3,856)
Total comprehensive income/ (loss) for the period	-	-	-	-	-	-	-	-	(2,837)	3,523	586	(4,573)	(3,897)
At 30 September 2022 (unaudited)	353,043	906,013	(8,169)	5,733	38,353	154,381	7,553	65,428	(14,736)	(1,278,203)	251,401	29,304	280,705

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at 30 September 2023, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### **Long Positions in Shares and Underlying Shares**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Shares interested by nature (Long position)</b>	<b>Percentage of total issued Shares capital of the Company<sup>(1)</sup></b>
Mr. Xu Shengheng (徐生恒先生)	Beneficial owner	717,670,600	15.85%
	Interest of spouse <sup>(4)</sup>	982,800	0.02%
Ms. Chan Wai Kay Katherine (陳蕙姬女士)	Beneficial owner	62,290,400	1.38%
	Interest of spouse <sup>(5)</sup>	14,103,600	0.31%
Ms. Liu Ening (劉炯寧女士)	Beneficial owner	250,000,000	5.52%
Mr. Zhang Yiyi (張軼穎先生)	Beneficial owner	2,504,000	0.06%
	Interest of Controlled Corporation <sup>(2)</sup>	250,000,000	5.52%
Mr. Jia Wenzeng (賈文增先生) <sup>(6)</sup>	Beneficial owner	2,000,000	0.04%
Mr. Wu Desheng (吳德繩先生) <sup>(6)</sup>	Beneficial owner	2,000,000	0.04%
Mr. Wu Qiang (武強先生)	Beneficial owner	2,000,000	0.04%
Mr. Guan Chenghua (關成華先生)	Beneficial owner	2,000,000	0.04%
Mr. Pan Ya <sup>(3)</sup> (潘亞先生)	Beneficial owner	260,000	0.01%

*Notes:*

- (1) The calculation is based on (i) the aggregate number of the shares of the Company (“Shares”) and the underlying Shares, if any; and (ii) the total number of 4,526,925,163 Shares in issue of the Company as at 30 September 2023 used for the calculation of the approximate percentage.
- (2) Universal Zone Limited, which is wholly owned by Mr. Zhang Yiyong, holds 250,000,000 Shares. Under the SFO, Mr. Zhang Yiyong is deemed to be interested in all the shares held by Universal Zone Limited.
- (3) Mr. Pan Ya (潘亞先生) resigned as an executive director of the Company on 30 June 2022 and he still serves as the position of the chief financial officer of the Group. For details, please refer to the announcement dated 30 June 2022 for details.
- (4) These interests are beneficially held by Ms. Luk Hoi Man (陸海汶女士), the spouse of Mr. Xu Shengheng, comprising 982,800 Shares. Pursuant to the SFO, Mr. Xu Shengheng is deemed to be interested in all the interests held by Ms. Luk Hoi Man (陸海汶女士).
- (5) These interests are beneficially held by Mr. Chow Ming Joe Raymond (周明祖先生), the spouse of Ms. Chan Wai Kay Katherine, comprising 14,103,600 Shares. Under the SFO, Ms. Chan Wai Kay Katherine is deemed to be interested in all interests held by Mr. Chow Ming Joe Raymond (周明祖先生).
- (6) As of the publication date of this report, Mr. Jia Wenzeng and Mr. Wu Desheng resigned as independent non-executive directors. For detail please refer to the announcement of the Company dated on 3 November 2023.

Save as disclosed above, as at 30 September 2023, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

## **INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS**

So far as is known to the directors of the Company, as at 30 September 2023, persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:

### **Long Positions in shares and equity derivatives**

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares interested</b>	<b>Percentage of total issued Shares capital of the Company<sup>(1)</sup></b>
China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited <sup>(2)</sup>	Beneficial interest	1,190,000,000	26.29%
China Energy Conservation and Environmental Protection Group <sup>(2)</sup>	Interest of controlled corporation	1,190,000,000	26.29%
Ms. Luk Hoi Man (陸海汶女士) <sup>(3)</sup>	Beneficial owner	982,800	15.88%
	Interest of spouse	717,670,600	
Universal Zone Limited	Beneficial owner	250,000,000	5.52%

*Notes:*

- (1) The calculation is based on (i) the aggregate number of Shares and the underlying Shares, if any; and (ii) the total number of 4,526,925,163 Shares in issue of the Company as at 30 September 2023 used for the calculation of the approximate percentage.
- (2) China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited, a wholly-owned subsidiary of China Energy Conservation and Environmental Protection Group, holds 1,190,000,000 Shares.

- (3) The interests are beneficially held by Mr. Xu Shengheng (徐生恒先生), the spouse of Ms. Luk Hoi Man (陸海汶女士), comprising 717,670,600 Shares. Pursuant to the SFO, Ms. Luk Hoi Man (陸海汶女士) is deemed to be interest in all the interest held by Mr. Xu Shengheng (徐生恒先生).

Save as disclosed above, as at 30 September 2023, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

## **SHARE AWARD SCHEME**

On 15 January 2020 (the “Adoption Date”), the Board approved the adoption of a share award scheme (the “Share Award Scheme”). The purposes of the Share Award Scheme are to recognise and reward the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For details of the Share Award Scheme, please refer to the announcement of the Company dated 15 January 2020.

As at the nine months ended 30 September 2023, none of awarded shares was granted.

As at the publication date of this report, a total of 44,500,000 awarded shares had been granted and total of 37,000,000 awarded shares had been vested in accordance with the terms of Share Award Scheme and the vesting conditions as specified by the Board.

Details of the awarded shares under the Share Award Scheme are set out below:

Awardees	Date of grant	Vesting date	As at 12 October 2023		
			Number of Shares		
			Granted	Vested	Lapsed
Mr. Xu Shengheng	12 October 2023	12 October 2023	4,500,000	4,500,000	0
Ms. Chan Wai Kay, Katherine	12 October 2023	12 October 2023	4,500,000	4,500,000	0
Mr. Dai Qi <sup>(1)</sup>	12 October 2023	12 October 2023	4,500,000	0	4,500,000
Mr. Liao Yuan <sup>(1)</sup>	12 October 2023	12 October 2023	3,000,000	0	3,000,000
Mr. Zhang Yiyi	12 October 2023	12 October 2023	3,000,000	3,000,000	0
Ms. Liu Ening	12 October 2023	12 October 2023	3,000,000	3,000,000	0
Mr. Wu Desheng	12 October 2023	12 October 2023	3,000,000	3,000,000	0
Mr. Wu Qiang	12 October 2023	12 October 2023	3,000,000	3,000,000	0
Mr. Jia Wenzeng	12 October 2023	12 October 2023	3,000,000	3,000,000	0
Mr. Guan Chenghua	12 October 2023	12 October 2023	3,000,000	3,000,000	0
Other employee	12 October 2023	12 October 2023	10,000,000	10,000,000	0
			<u>44,500,000</u>	<u>37,000,000</u>	<u>7,500,000</u>

<sup>(1)</sup> Mr. Dai Qi and Mr. Liao Yuan voluntary gave up the awarded shares.

## COMPETING INTERESTS

None of the Directors (including any person who at any time during the Review Period was a Director), controlling Shareholder, nor their respective close associates (as defined under the GEM Listing Rules) had any interest in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group during the Review Period.

## **CORPORATE GOVERNANCE CODE**

During the Review Period, the Company has complied with the code provisions of the Corporate Governance Code (the “Code”) set out in Appendix 15 of the GEM Listing Rules, except for the deviations as follows:

Under 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.

Mr. Liao Yuan, a non-executive Director, as well as Mr. Wu Qiang, an independent non-executive Director, did not attend the annual general meeting of the Company held on 9 November 2023 due to their engagement in other business. During the review period, to the best knowledge of the Board, the Company had complied with the applicable code provisions of the CG Code.

## **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 and the Company was not aware of any non-compliance 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 during the Review Period.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Review Period.

## **SIGNIFICANT INVESTMENTS HELD**

During the year ended 30 September 2023, the Group held 4.99965% of equity interests in Beijing Life Insurance Co. Ltd., which is an equity investments designated at fair value through other comprehensive income. The size of investment as compared to the Group’s total assets as at 30 September 2023 is 20.89%.

On 13 November 2020, HYY Investment Management Co., Ltd. (恒有源投資管理有限公司), an indirect wholly owned subsidiary of the Company, entered into equity transfer agreement and subsequently supplemented by a supplemental agreement to sell 4.99965% equity interests in Beijing Life Insurance Co. Ltd. for a cash consideration of RMB237,000,000. At the extraordinary general meeting held on 19 February 2021, the Shareholders of the Company passed the ordinary resolution in respect of the equity transfer agreement. Details of the disposal can be referred to the Company's circular dated 26 January 2021. As at 30 September 2023, HYY Investment has received the consideration of RMB237,000,000 and this transaction is pending for the transferee to complete the change of shareholder registration. Therefore, the equity transfer has not been completed as at the date of this report.

## **OTHER INFORMATION**

- (1) 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 Changhong Air Condition Co., Ltd (the "Purchaser"), pursuant to which the Vendor 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.
- (2) 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 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.

## **DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS**

Same as disclosed, none of the Directors (including any person who at any time during the Period was a Director) or an entity connected with a Director is or was materially interested, whether directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party which was subsisting during or at the end of the Review Period which is significant in relation to the business of the Group, nor had any Director had direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group at the end of the Review Period or at any time during the Review Period.

On 30 March 2022, a subsidiary of the Company entered into a two-year lease agreement ending 30 March 2024 with Beijing Elite Investments Limited, as lessor, a company held as to 70% equity interests by Ms. Chan Wai Kay Katherine, deputy chairman and an executive Director of the Company.

## **AUDIT COMMITTEE**

The Company has established an audit committee of the Company with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision D.3 of the CG Code. During the nine months ended 30 September 2023, the audit committee currently comprises four independent non-executive Directors, namely, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Jia Wenzeng and Mr. Guan Chenghua. Mr. Jia Wenzeng is the chairman of the audit committee. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise. The unaudited condensed financial results for the Period have not been audited by the Company's independent auditors, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such results complied with the applicable accounting standards of the HKFRSs issued by the HKICPA and the applicable disclosure provisions of the GEM Listing Rules, and that adequate disclosures have been made.

During the period of this report, Mr. Jia Wenzeng (chairman of the audit committee) and Mr. Wu Desheng (member of the audit committee) are resigned. For details please refer to the announcement of the Company dated on 3 November 2023.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

## **CONTINUING CONNECTED TRANSACTIONS: THE SP FRAMEWORK AGREEMENT**

### **The SP Framework Agreement**

The 2019 SP Framework Agreement expired on 31 December 2021 and the Company and CECEP wish to enter into an agreement to renew the principal terms of the 2019 SP Framework Agreement. On 18 January 2022, the Company entered into the SP Framework Agreement with CECEP pursuant to which, CECEP and its subsidiaries conditionally agreed to purchase, and the Company and its subsidiaries conditionally agreed to provide, the Products and the Services, subject to the terms and conditions provided therein for the period from 1 January 2022 to 31 December 2024. The proposed Supply Annual Caps shall not be more than the amounts prescribed pursuant to the SP Framework Agreement. For details, please refer to announcement of the Company dated 18 January 2022.

### **APPRECIATION**

On behalf of the Board, Chairman would like to take this opportunity to express his sincere gratitude to all our business partners, the Shareholders and customers for their support to the Company.

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

Hong Kong, 10 November 2023

\* *For identification purposes only*

*As at the date of this report, the Board of Directors of the Company 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 Qiang, Mr. Guan Chenghua and Mr. Zhang Honghai as independent non-executive Directors.*