



**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 2023**

### **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.**

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*This announcement, for which the directors (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.*

*This announcement will remain on the GEM website with the domain name of [www.hkexnews.com](http://www.hkexnews.com) on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of CHYY Development Group Limited at [www.chyy.com.hk](http://www.chyy.com.hk).*

## 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 2023 (“the Year”), together with the comparative figures for the year ended 31 December 2022 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE	4	67,860	119,428
Cost of sales		<u>(58,601)</u>	<u>(104,307)</u>
Gross profit		9,259	15,121
Other income and gains	4	16,816	14,328
Selling and distribution expenses		(2,713)	(2,837)
Administrative expenses		(52,758)	(51,670)
Reversal of impairment loss/(impairment loss) on trade receivables, net		2,378	(38,289)
Impairment loss on prepayments, other receivables and other assets, net		(1,897)	(15,470)
Reversal of impairment loss/(impairment loss) on contract assets, net		41,599	(63,323)
Finance costs	5	(4,175)	(5,355)
Fair value changes on investment properties		(1,499)	58
Other expenses and losses		(3,612)	(8,120)
Share of results of:			
A joint venture		2,647	101
Associates		<u>1,046</u>	<u>(2,250)</u>
PROFIT/(LOSS) BEFORE TAX	6	7,091	(157,706)
Income tax (expense)/credit	7	<u>(2,369)</u>	<u>22,243</u>
PROFIT/(LOSS) FOR THE YEAR		<u>4,722</u>	<u>(135,463)</u>
Attributable to:			
Owners of the Company		9,475	(134,332)
Non-controlling interests		<u>(4,753)</u>	<u>(1,131)</u>
		<u>4,722</u>	<u>(135,463)</u>
EARNINGS/(LOSS) PER SHARE	9		
Basic and diluted (expressed in HK cents)		<u>0.21</u>	<u>(2.97)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>4,722</u>	<u>(135,463)</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	(802)	(11,001)
Share of other comprehensive expense of a joint venture	(34)	(62)
Share of other comprehensive expense of associates	(271)	(4,236)
Release of translation reserves upon partial disposal of an associate	<u>569</u>	<u>–</u>
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods	<u>(538)</u>	<u>(15,299)</u>
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:		
Loss on property revaluation	(9,630)	(3,440)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(875)	(1,862)
Income tax effect	<u>219</u>	<u>466</u>
	<u>(656)</u>	<u>(1,396)</u>
Net other comprehensive expense that will not be reclassified to profit or loss in subsequent periods	<u>(10,286)</u>	<u>(4,836)</u>
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	<u>(10,824)</u>	<u>(20,135)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(6,102)</u>	<u>(155,598)</u>
Attributable to:		
Owners of the Company	(891)	(151,179)
Non-controlling interests	<u>(5,211)</u>	<u>(4,419)</u>
	<u>(6,102)</u>	<u>(155,598)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		146,609	168,673
Investment properties		123,703	127,001
Right-of-use assets		692	1,523
Investment in a joint venture		3,906	1,293
Investments in associates		28,202	47,980
Equity investments designated at fair value through other comprehensive income		55,761	57,357
Trade receivables	10	65,946	65,468
Deposit paid for acquisition of investment properties		1,593	–
Total non-current assets		426,412	469,295
<b>CURRENT ASSETS</b>			
Inventories		13,633	15,821
Properties held for sale		299,026	303,949
Trade receivables	10	7,090	23,127
Prepayments, other receivables and other assets		83,694	65,129
Contract assets	11	35,765	35,482
Amounts due from related companies		–	295
Equity investments designated at fair value through other comprehensive income		261,530	265,308
Financial assets at fair value through profit or loss		3,795	2,880
Restricted cash		3,712	60
Time deposits		689	19,460
Cash and cash equivalents		69,553	47,043
		778,487	778,554
<b>CURRENT LIABILITIES</b>			
Trade payables	12	157,241	199,801
Other payables and accruals		415,025	408,483
Contract liabilities	11	38,453	33,412
Amounts due to associates		18,035	18,364
Amount due to a joint venture		220	223
Amounts due to related companies		31,203	28,678
Lease liabilities		6,455	6,796
Tax payable		141,163	140,204
Total current liabilities		807,795	835,961
<b>NET CURRENT LIABILITIES</b>		<b>(29,308)</b>	<b>(57,407)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>397,104</b>	<b>411,888</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***31 December 2023*

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>66,639</b>	73,850
Deferred income	<b>8,828</b>	8,955
Deferred tax liabilities	<b>43,047</b>	44,391
	<hr/>	<hr/>
Total non-current liabilities	<b>118,514</b>	127,196
	<hr/>	<hr/>
Net assets	<b>278,590</b>	284,692
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>353,043</b>	353,043
Shares held for Share Award Scheme	<b>(8,169)</b>	(8,169)
Other reserves	<b>(94,950)</b>	(94,059)
	<hr/>	<hr/>
	<b>249,924</b>	250,815
	<hr/>	<hr/>
Non-controlling interests	<b>28,666</b>	33,877
	<hr/>	<hr/>
Total equity	<b>278,590</b>	284,692
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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

### 1. CORPORATE AND GROUP INFORMATION

CHYY 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 address 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, Central, Hong Kong, respectively.

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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include 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. These financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to the nearest thousand except when otherwise indicated.

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 of the Group for the year ended 31 December 2023 on a going concern basis.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### **New and amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two model Rules</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>

Except as described below, the application of the new and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### ***Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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 "fourstep 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in notes to the consolidated financial statements. In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

### Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup></i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>2</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)<sup>2</sup></i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants<sup>2</sup></i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements<sup>2</sup></i>
Amendments to HKAS 21	<i>Lack of Exchangeability<sup>3</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief executive officer, being the chief operating decision maker (“CODM”), that are used to make strategic decisions.

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 – holding investment for medium to long-term strategic purposes and 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 unallocated 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 2023	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>
<b>Segment revenue</b>					
Sales to external customers	61,198	1,014	5,648	–	67,860
Intersegment sales	–	1,385	894	–	2,279
	<u>61,198</u>	<u>2,399</u>	<u>6,542</u>	<u>–</u>	<u>70,139</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(2,279)</u>
Revenue					<u><u>67,860</u></u>
<b>Segment results</b>	24,902	(2,584)	(4,868)	(289)	17,161
<i>Reconciliation:</i>					
Share of results of a joint venture					2,647
Share of results of associates					1,046
Unallocated other income					10,924
Unallocated finance costs					(347)
Corporate and other unallocated expenses					<u>(24,340)</u>
Profit before tax					<u><u>7,091</u></u>
<b>Segment assets</b>	572,367	38,028	487,867	321,544	1,419,806
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(322,509)
Corporate and other unallocated assets					<u>107,602</u>
Total assets					<u><u>1,204,899</u></u>
<b>Segment liabilities</b>	625,855	39,402	339,407	10,486	1,015,150
<i>Reconciliation:</i>					
Elimination of intersegment payables					(322,509)
Corporate and other unallocated liabilities					<u>233,668</u>
Total liabilities					<u><u>926,309</u></u>

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2023	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>
<b>Other segment information:</b>					
Amounts included in the measure of segment profit or loss or segment assets:					
Depreciation of property, plant and equipment	5,983	864	10	24	6,881
Depreciation of right-of-use assets	821	-	-	-	821
(Reversal of impairment loss)/impairment loss on trade receivables, net	(3,571)	-	1,193	-	(2,378)
Impairment loss on prepayments, other receivables and other assets, net	1,645	-	252	-	1,897
Reversal of impairment loss on contract assets, net	(41,599)	-	-	-	(41,599)
Impairment loss on properties held for sale	-	-	600	-	600
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022	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
<b>Segment revenue</b>					
Sales to external customers	109,522	9,815	91	–	119,428
Intersegment sales	–	508	–	–	508
	<u>109,522</u>	<u>10,323</u>	<u>91</u>	<u>–</u>	<u>119,936</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(508)</u>
Revenue					<u><u>119,428</u></u>
<b>Segment results</b>	(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
Unallocated finance costs					(1,445)
Corporate and other unallocated expenses					<u>(22,003)</u>
Loss before tax					<u><u>(157,706)</u></u>
<b>Segment assets</b>	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>
<b>Segment liabilities</b>	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>
<b>Other segment information:</b>					
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 on trade receivables, net	37,407	–	882	–	38,289
Impairment loss on prepayments, other receivables and other assets, net	13,844	–	1,626	–	15,470
Impairment loss on contract assets, net	63,323	–	–	–	63,323
Impairment loss on properties held for sale	–	–	3,786	–	3,786
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	N/A*	16,200
Customer B	N/A*	18,879
Customer C	<u>7,130</u>	<u>N/A*</u>
	7,130	35,079
Total revenue	<b>67,860</b>	119,428
Proportion of revenue	<u><b>10.5%</b></u>	<u>29.4%</u>

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>	<b>62,212</b>	119,337
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	<u>5,648</u>	<u>91</u>
	<u><b>67,860</b></u>	<u>119,428</u>

#### 4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

##### Revenue from contracts with customers

##### (a) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or services:</b>			
Sale of industrial products	–	1,014	1,014
Construction services	61,198	–	61,198
Total revenue from contracts with customers	<u>61,198</u>	<u>1,014</u>	<u>62,212</u>
<b>Timing of revenue recognition:</b>			
Goods transferred at a point in time	–	1,014	1,014
Services transferred over time	61,198	–	61,198
Total revenue from contracts with customers	<u>61,198</u>	<u>1,014</u>	<u>62,212</u>

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>
<b>Types of goods or services:</b>			
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>
<b>Timing of revenue recognition:</b>			
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>

#### 4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

##### *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:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	<u><b>75,321</b></u>	<u>65,540</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)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other income</b>		
Interest income	4,876	5,095
Sale of scrap materials	268	–
Government grants ( <i>note i</i> )	1,085	1,670
Dividend income from equity investments at fair value through other comprehensive income	1,298	2,301
Income from exempted payables ( <i>note ii</i> )	7,928	–
Others	423	2,297
	<u>15,878</u>	<u>11,363</u>
<b>Other gains</b>		
Gain on disposal of subsidiaries	–	2,965
Gain on partial disposal of an associate	938	–
	<u>938</u>	<u>2,965</u>
	<u><u>16,816</u></u>	<u><u>14,328</u></u>

*Notes:*

- (i) 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.
- (ii) In prior year, the Group has undergone certain litigation proceedings with its subcontractors in regard of the unsettled construction costs. During the year ended 31 December 2023, the litigation was finalised and resulted in releasing the provision previously made by the Group to profit or loss.

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on other borrowing	727	1,445
Interest on lease liabilities	3,448	3,910
	<u>4,175</u>	<u>5,355</u>

## 6. PROFIT/(LOSS) BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold	1,812	9,410
Cost of services provided	56,789	94,897
Depreciation of property, plant and equipment	6,881	12,275
Depreciation of right-of-use assets	821	934
Research and development costs	1,931	2,823
Short term lease payments	8	8
Auditor's remuneration	1,665	1,161
Employee benefit expense (including directors' and chief executives' remuneration):		
Wages and salaries	32,692	45,075
Pension scheme contributions	3,660	2,336
	<u>36,352</u>	<u>47,411</u>
Impairment of properties held for sale*	600	3,786
Impairment loss/write off of inventories*	619	–
Fair value loss on financial assets at fair value through profit or loss*	289	161
Loss on disposal of property, plant and equipment*	<u>772</u>	<u>72</u>

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

## 7. INCOME TAX EXPENSE/(CREDIT)

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (“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 People's Republic of China (“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 EXPENSE/(CREDIT) (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 2023 (2022: 15%).

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – PRC Enterprise Income Tax	<b>3,801</b>	1,762
Over-provision in prior years	–	(23,097)
Deferred taxation	<b>(1,432)</b>	(908)
	<hr/>	<hr/>
Income tax expense/(credit) for the year	<b><u>2,369</u></b>	<u>(22,243)</u>

## 8. DIVIDENDS

During the years ended 31 December 2023 and 2022, 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 2023 has been proposed by the directors of the Company (2022: nil).

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company, and the number of ordinary shares of 4,526,925,000 (2022: 4,526,925,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculations of basic and diluted earnings/(loss) per share are based on:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss) attributable to owners of the Company	<b><u>9,475</u></b>	<u>(134,332)</u>

  

	<b>Number of shares</b>	
	<b>2023</b> <i>'000</i>	2022 <i>'000</i>
Shares		
Number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculations	<b><u>4,526,925</u></b>	<u>4,526,925</u>

## 10. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	169,196	207,206
Less: Impairment allowance	<u>(166,062)</u>	<u>(189,786)</u>
Trade receivables, net	3,134	17,420
Finance lease receivables	69,902	71,175
Less: Non-current portion (net of impairment)	<u>(65,946)</u>	<u>(65,468)</u>
Current portion	<u><u>7,090</u></u>	<u><u>23,127</u></u>

In 2020, the Group entered into an arrangement to sublease a leased asset to a third party while the original lease contract is in effect, the Group is an intermediate lessor, this sublease is classified as a finance lease. The Group derecognised the right-of-use asset on the head lease and recognised net investment included in trade receivables at the commencement date of the sublease arrangement, continued to account for the original lease liability in accordance with the lessee accounting model.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 90 days	1,140	5,574
91 to 180 days	493	648
181 to 365 days	969	3,494
Over 365 days	<u>532</u>	<u>7,704</u>
	<u><u>3,134</u></u>	<u><u>17,420</u></u>

## 11. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract assets arising from:		
Construction services	457,630	505,048
Less: Impairment allowance	<u>(421,865)</u>	<u>(469,566)</u>
	35,765	35,482
Contract liabilities arising from:		
Construction services	<u>38,453</u>	<u>33,412</u>

## 12. 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 90 days	35,433	39,973
91 to 180 days	16,399	16,372
181 to 365 days	17,320	12,261
Over 365 days	<u>88,089</u>	<u>131,195</u>
	<u>157,241</u>	<u>199,801</u>

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

## FINANCIAL HIGHLIGHTS

### Income Allocation

	2023		2022	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
1. Shallow geothermal energy utilisation system				
Including: Supply of renewable energy	–	–	1,065	0.88
Engineering construction	<b>34,038</b>	<b>50.17</b>	81,697	68.41
Operation and maintenance	<b>27,160</b>	<b>40.02</b>	26,760	22.41
2. Air conditioning/shallow geothermal heat pump	<b>1,014</b>	<b>1.49</b>	9,815	8.22
3. Property investment and development	<b>5,648</b>	<b>8.32</b>	91	0.08
Total revenue	<b><u>67,860</u></b>	<b><u>100</u></b>	<u>119,428</u>	<u>100</u>

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<b>67,860</b>	119,428
Gross profit	<b>9,259</b>	15,121
Profit/(loss) before tax	<b>7,091</b>	(157,706)
Profit/(loss) for the year	<b>4,722</b>	(135,463)
Research and development costs (included in the administrative expenses)	<b>1,931</b>	2,823
Reversal of impairment loss/(impairment loss) on trade receivables, net	<b>2,378</b>	(38,289)
Impairment loss on prepayments, other receivables and other assets, net	<b>(1,897)</b>	(15,470)
Reversal of impairment loss/(impairment loss) on contract assets, net	<b><u>41,599</u></b>	<u>(63,323)</u>

## As at 31 December 2023 & 2022

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current assets	778,487	778,554
Total assets	1,204,899	1,247,849
Net current liabilities	(29,308)	(57,407)
Total equity	<u>278,590</u>	<u>284,692</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the year ended 31 December 2023, the profit of the Group amounted to approximately HK\$4,722,000 and revenue amounted to HK\$67,860,000 as compared with the loss of the Group amounted to HK\$135,463,000 and revenue amounted to approximately HK\$119,428,000 for the year ended 31 December 2022. For more detailed information, please refer to the consolidated financial statements for the years ended 31 December 2023 and 2022.

### OPERATIONAL RESULTS

Total revenue from operations for the year ended 31 December 2023 was approximately HK\$67,860,000 as compared with HK\$119,428,000 for the year ended 31 December 2022, representing a decrease of approximately 43.18%. 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 2023, the Group recorded a net profit of approximately HK\$4,722,000 as compared with a net loss of approximately HK\$135,463,000 for the year ended 31 December 2022, mainly due to reversal of impairment loss on contract assets upon recovery of the amounts.

### GROSS PROFIT MARGIN

Gross profit from the Group's operations for the year ended 31 December 2023 was approximately HK\$9,259,000, represented the gross profit margin of 13.64% (2022: approximately HK\$15,121,000, represented the gross profit margin of 12.66%). The Group's gross profit margin for the Year increased by 0.98% compared with the same period last year.

### SELLING & DISTRIBUTION EXPENSES

Selling and distribution expenses for this year decreased by approximately HK\$124,000 or 4.4% compared with 31 December 2022. 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\$52,758,000 and HK\$51,670,000 for the years ended 31 December 2023 and 2022 respectively, (representing an increase of 2.1%, or a decrease of 4% (excluding the impact of gains and losses from changes in fair value)). The decrease in administrative expenses was mainly due to the Group's commitment to continuing to implement the independent project accounting system, strengthening cost control on independent accounting units, and which has strengthened budget management and performance appraisal to greatly reduce expenses including salaries, operation expenses, water and electricity charge and vehicle expense.

## **OTHER EXPENSES**

Other expenses for the year ended 31 December 2023 amounted to approximately HK\$3,612,000 (2022: HK\$8,120,000). The decrease in 55.5% other expenses for the Year as compared to last year due to the decrease of impairment loss on properties held for sale.

## **SHARE-BASED PAYMENT EXPENSES**

During the year ended 31 December 2023, the Group had incurred share-based payment of HK\$962,000 due to share award granted in 2023 (2022: Nil).

## **ORDER BOOK**

As at 31 December 2023, the Group had contracts on hand of approximately HK\$75,321,000 (2022: approximately HK\$65,540,000).

## **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 3 "Operating Segment Information" of this announcement.

### **PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The Group recorded a profit attributable to owners of the Company was approximately HK\$9,475,000 for the year ended 31 December 2023 representing an increase in profit by approximately HK\$143,807,000 as compared with a loss of approximately HK\$134,332,000 for the year ended 31 December 2022. The increase in profit attributable to owners of the Company was mainly attributable to the reversal of impairment loss on trade receivables and contract assets.

### **FINANCIAL RESOURCES AND LIQUIDITY**

Net current liabilities of the Group as at 31 December 2023 was approximately HK\$29,308,000 (2022: approximately HK\$57,407,000).

As at 31 December 2023, the Group had cash and cash equivalents of approximately HK\$69,553,000 (2022: approximately HK\$47,043,000). 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 announcement.

### **CHARGES OF GROUP ASSETS**

As at 31 December 2023, 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 2023, the Group had no foreign exchange contracts.

## **GEARING RATIO**

The gearing ratio of the Group, based on net debt (including 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 55.7% as at 31 December 2023 (2022: 60.0%).

## **EMPLOYEES**

As at 31 December 2023, the Group has approximately 218 employees (2022: approximately 306). 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 ("Adoption Date"), the Board approved the adoption of a share award scheme (the "Share Award Scheme") with the objective to attract, retain and incentivise 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. Bank of Communications Trustee Limited (the "Trustee") was designated to be the trustee under the Deed of trust executed on 1 April 2020.

The Board implements the Share Award Scheme in accordance with the terms of the Share Scheme Rules ("Scheme Rules") including providing necessary funds to the Trustee to purchase or subscribe for shares up to 2.98% of the issued share capital of the Company from time to time.

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 Trustee shall hold such Award Shares on trust for the selected participants until they are vested. When the relevant selected participants have satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Award Shares, the Trustee shall transfer the relevant Award Shares to the grantees.

During the years ended 31 December 2023 and 2022, the Company has not purchased any shares under Share Award Scheme.

Set out below is a summary of all the grants of Award Shares under the Share Award Scheme since the Adoption Date up to and including 31 December 2023 and 2022:

During the year ended 31 December 2023, the Company granted 44,500,000 Award Shares to certain directors and employee of the Group of which 7,500,000 Award Shares is forfeited.

There were no outstanding of Award Shares as at 31 December 2023 and 2022.

The fair value of the shares granted was calculated based on the market prices of the Company's shares at the respective grant dates. No dividend will be considered. The fair values of the shares granted on 12 October 2023 was HK\$0.026 per share.

## **CONTINGENT LIABILITIES**

As at 31 December 2023, the Company did not have any contingent liabilities not provided in the consolidated financial statements (2022: Nil).

## **DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

## **CAPITAL STRUCTURE**

As at 31 December 2023, 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. (恒有源投資管理有限公司) ("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 and no judgement has been rendered so far, 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 27 October 2023, the Company entered into the agreement (the “Agreement”) with GBT Green Energy Holding Group Limited (the “Vendor”) and Mr. Wong Chenglin\* (王成林) (the “Guarantor”), pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire the shares of the Hydrogen Energy Technology Limited (the “Target Company”), a company incorporated in the British Virgin Islands with limited liability, representing 80% of the entire issued share capital of the Target Company, at a maximum total consideration of HK\$70,200,000. On 16 March 2024, the Company, the Vendor and the Guarantor entered into a side letter supplemental to the Agreement under which the parties have agreed to revise the terms to the Consideration and the Conditions Precedent under the Agreement.

Upon Completion, the Target Company will become a non wholly-owned subsidiary of the Company, and the financial information of the Target Group will be consolidated into the Group’s financial statements.

As at the date of this announcement, the Target Company indirect wholly-owned China Hydrogen Energy (Shenzhen) New Technology Co., Ltd.\* (中氫新能(深圳)新技術有限公司) (“China Hydrogen Energy”), a company established in the PRC with limited liability.

China Hydrogen Energy specialises in hydrogen fuel cell powertrain systems for the automobile industry and has independent core technologies and intellectual property in the design, simulation, control, integration, and manufacture of these systems. By leveraging technical advantages and market resources in the renewable energy, hydrogen energy, and fuel cell industry, China Hydrogen Energy aims to develop a complete and efficient hydrogen fuel cell solution provider for the automobile industry. China Hydrogen Energy provides high-reliability and cost-effective hydrogen fuel cell powertrain solutions that meet national standards and application requirements. Currently, China Hydrogen Energy’s technical know-how and intellectual properties demonstrate core advantages in (i) integrated and reliable hydrogen fuel cell powertrain systems, (ii) intelligent control systems for hydrogen fuel cell powertrain systems, (iii) low-temperature unassisted quick start technology, and (iv) customised development of cost-effective hydrogen fuel cell powertrain systems for multiple scenarios.

As at the date of this announcement, the Company, the Vendor and the Guarantor entered into a second side letter after trading hours, pursuant to which the Company, the Vendor and the Guarantor agreed to extend the Long Stop Date from 31 March 2024 to 30 June 2024 (or such later date as the Company, the Vendor Guarantor may agree in writing) as additional time is required for the fulfilment of the Conditions Precedent.

Please refer to the announcements of the Company dated 27 October 2023, 18 March 2024 and 28 March 2024 for detail information.

\* *For identification purpose only*

## **CAPITAL COMMITMENT**

The Group did not incur any significant capital commitment as at 31 December 2023 (2022: nil).

## **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 2023.

## **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 2023 was a critical year for the Group’s reform. Achieving profitability despite a year-on-year decline in revenue during the Reporting Period reflected the improvement in the Company’s operating conditions, mainly due to the Group’s continued strengthening of management based on independent project accounting and the strengthening of collection of receivables.

During the period under review, the Group recorded revenue of approximately HK\$67,860,000 as compared to approximately HK\$119,428,000 for the corresponding period of the previous year. Revenue decreased by approximately HK\$51,568,000. 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 be dedicated to developing the alternative energy industry regarding new energy. The Group will focus on promoting and applying geothermal heat pump environmental systems. These systems use the “single well circulation heat exchange” technology to achieve building heating with no combustion and zero emissions in the use area. These systems provide temperatures suitable for comfortable human life and the survival and growth of animals and plants. The Board expects that the completion of the future acquisition of China Hydrogen Energy will gradually improve the Company’s application technology direction towards “developing and utilizing green alternative energy with a cost comparable to traditional energy” and gradually realize the corporate vision of “the development of renewable energy to replace the traditional fossil energy industry: hydrogen energy + geothermal energy (hot)”. The Group will continue to be committed to replacing fossil fuel combustion with no higher cost than traditional energy, achieving stable access to electricity that ensures comfortable living for people, the survival and growth of animals and plants, and the appropriate temperature required for the space under the most adverse weather conditions, and providing environmental system design solutions and product sets.

## **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.

Mr. Liao Yuan, the non-executive Director, and Mr. Wu Qiang, the independent non-executive Director, did not attend the annual general meeting of the Company held on 9 November 2023.

## **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 has an audit committee (the “Audit Committee”) established with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal controls systems of the Group and to provide advice to the directors of the Company.

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Zhang Honghai (the chairman of the Audit Committee), Mr. Wu Qiang and Mr. Guan Chenghua. The Audit Committee has reviewed the Group's audited final results for the year ended 31 December 2023 and has provided advice and comments thereon. The Audit Committee held eight 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 2023 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 as approved by the Board of Directors on 28 March 2024. The work performed by CL Partners CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 2023, 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**  
**Mr. Xu Shengheng**  
*Chairman*

Hong Kong, 28 March 2024

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine, Mr. Dai Qi and Mr. Zhang Wei 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.*