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

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

**DISCLOSEABLE AND EXEMPTED CONNECTED TRANSACTION IN  
RELATION TO THE DISPOSAL OF  
34% EQUITY INTERESTS IN AN ASSOCIATE  
AND  
CONTINUED SUSPENSION OF TRADING**

**Financial Adviser to the Company**



**Diligent Capital Limited**

**THE DISPOSAL**

The Board announces that on 22 September 2023, the Vendor, being an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire, the Sale Shares, representing 34% of the registered capital of the Target Company, at a consideration of RMB19.618 million.

Upon Completion, the Group will remain to hold 15% equity interests in the Target Company, and the Target Company will remain to be accounted for as an associate of the Company in the financial statements of the Group.

**IMPLICATIONS UNDER THE GEM LISTING RULES**

As all of the applicable ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Purchaser is beneficially interested in 49% of Hong Yuan Ground Source Heating Device Technology Co., Ltd\* (宏源地能熱寶技術有限公司), which is a non-wholly owned subsidiary of the Company, hence, the Purchaser is a connected person of the Company at the subsidiary level under Chapter 20 of the GEM Listing Rules.

As the Board has approved the Disposal and the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole, therefore, the Disposal is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules.

## **THE DISPOSAL**

On 22 September 2023, the Vendor, being an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, the Sale Shares, representing 34% of the registered capital of the Target Company, at a consideration of RMB19.618 million. The principal terms of the Agreement are set out below:

## **THE AGREEMENT**

Date: 22 September 2023

Parties: (i) the Vendor; and  
(ii) the Purchaser.

## **Assets to be disposed**

Subject to the terms and conditions set forth in the Agreement, the Vendor agreed to sell, and the Purchaser agreed to acquire, the Sales Shares, representing 34% of the registered capital of the Target Company.

## **Consideration**

The Consideration is RMB19.618 million, which shall be payable by the Purchaser to the Vendor within 7 Business Days from the effective date of the Agreement.

## **Basis for determination of the Consideration**

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser, on normal commercial terms with reference to the valuation of the fair value of entire equity interest in the Target Group as at 31 December 2022 of approximately RMB58.01 million, as

appraised by an independent professional valuer, using the asset-based approach (the “**Valuation**”). Based on the results of the Valuation, the fair value of 34% equity interest in the Target Group is approximately RMB19.73 million.

Taking into account the above and the factors described in the paragraph headed “Reasons for and Benefits of the Disposal and Proceeds from Disposal” below, the Directors consider that the Consideration is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

### **Completion**

The Completion took place on the date of the Agreement.

Upon Completion, the Group will remain to hold 15% equity interests in the Target Company, and the Target Company will remain to be accounted for as an associate of the Company in the financial statements of the Group.

### **INFORMATION ON THE GROUP AND THE VENDOR**

The Company is an investment holding company, whose subsidiaries are principally engaged in the research, development and promotion of shallow geothermal energy as an alternative energy to provide heating for buildings and is committed to the industrialisation development of the original technology which can accelerate the all-around upgrade and transformation of the traditional heating industry with combustion, emissions and pollution to an emerging industry of combustion-free integrated heating and cooling system with shallow geothermal energy.

The Vendor is an indirect wholly-owned subsidiary of the Company incorporated in the PRC with limited liability and is principally engaged in the production and sale of shallow geothermal heat device products. Immediately prior to the Completion, the Vendor is beneficially interested in 49% equity interests in the Target Company.

### **INFORMATION ON THE PURCHASER**

The Purchaser is a limited company established in the PRC and is principally engaged in air conditioning development and production. As at the date of this announcement, the Purchaser is a wholly-owned subsidiary of Changhong Meiling Co., Ltd\* (長虹美菱股份有限公司), its ultimate beneficial owner is Mianyang State-owned Assets Supervision and Administration Commission\* (綿陽市國資委).

Immediately prior to the Completion, the Purchaser is beneficially interested in 51% equity interests in the Target Company.

As at the date of this announcement, the Purchaser is beneficially interested in 49% of Hongyuan Ground Energy Heating Device Technology Co., Ltd\* (宏源地能熱寶技術有限公司), which is a non-wholly owned subsidiary of the Company, hence, the Purchaser is a connected person of the Company at the subsidiary level under Chapter 20 of the GEM Listing Rules.

## INFORMATION ABOUT THE TARGET GROUP

The Target Company is a company established in the PRC with limited liability and is owned as to 49% by the Vendor and 51% by the Purchaser immediately prior to the Completion.

As at the date of this announcement, Hong Yuan Ground Source Heating Pump Technology (Zhongshan) Co., Ltd\* 宏源地能熱泵科技(中山)有限公司, which is a company established in the PRC with limited liability, is the only subsidiary of the Target Company. The Target Group is principally engaged in the development and utilisation of energy-saving and environmentally friendly air-conditioning products ground source heat pump and air source heat pump production.

Set out below is the summary of the audited consolidated financial performance of the Target Group for the two years ended 31 December 2021 and 2022 as extracted from its audited consolidated financial statements for the two years ended 31 December 2021 and 2022:

	<b>For the years ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	(audited)	(audited)
	<i>RMB' million</i>	<i>RMB' million</i>
Revenue	316.28	347.88
Profit before taxation	6.92	8.08
Profit after taxation	6.97	8.04

As at 31 August 2023, the unaudited consolidated net asset value of the Target Group was approximately RMB50.92 million.

## FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Group will remain to hold 15% equity interests in the Target Company, and the Target Company will remain to be accounted for as an associate of the Company in the financial statements of the Group.

It is expected that the Group will record an unaudited gain on the Disposal of approximately RMB1.46 million, which is calculated based on the Consideration less (i) the carrying value of the audited net asset value of the Target Group as of 31 December 2022; (ii) the carrying value of goodwill of the Target Company; and (iii) the related costs and expenses of the Group for the Disposal.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain/loss eventually to be recognised in the consolidated financial statements of the Company, depends on, among other things, the review by the auditor of the Company, upon finalisation of the consolidated financial statements of the Group.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND PROCEEDS FROM DISPOSAL**

The proceeds from the Disposal are currently intended to be used for the repayment of the Group's accounts payable in the PRC.

The Board believes that selling a portion of the Company's investment in the Target Company is a decision in the interest of the Company and its Shareholders due to the uncertainty surrounding the Target Company's future prospects. The proceeds from the Disposal will be used to reduce outstanding debt thereby improving the financial position of the Group. Also, the Company will retain its equity interest of 15% in the Target Company, which provides an opportunity to benefit from potential returns in the future.

Taking into consideration the above and the basis of Consideration as mentioned previously, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable, the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. None of the Directors has any material interest in the Agreement and none of them is required to abstain from voting on the relevant resolution of the Board.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

As all of the applicable ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Purchaser is beneficially interested in 49% of Hongyuan Ground Source Heating Device Technology Co., Ltd\* (宏源地能熱寶技術有限公司), which is a non-wholly owned subsidiary of the Company, hence, the Purchaser is a connected person of the Company at the subsidiary under Chapter 20 of the GEM Listing Rules.

As the Board has approved the Disposal and the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole, therefore, the Disposal is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules.

## CONTINUED TRADING SUSPENSION OF TRADING OF THE SHARES

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 am on Monday, 3 April 2023 as required under the GEM Listing Rules and will remain suspended until further notice.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

### DEFINITIONS

In this announcement, the following terms and expressions used herein shall have the following meanings unless the context otherwise requires:

“Agreement”	the agreement dated 22 September 2023 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday or a public holiday) on which banks located in Hong Kong are open for business
“Company”	CHYY Development Group Limited (中國恒有源發展集團有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM of the Stock Exchange (stock code: 8128)
“Completion”	completion of the Disposal in accordance with the Agreement
“Consideration:	the aggregate consideration for the Disposal
“connected person(s)”	the meaning as ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the sale of the Sale Shares by the Vendor to the Purchaser in accordance with the terms of the Agreement
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong:	Hong Kong Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“PRC”	People’s Republic of China
“Purchaser”	Sichuan Changhong Air Condition Co., Ltd.* (四川長虹空調有限公司), a company established under the laws of the PRC
“Sales Share(s)”	34% of the registered capital of the Target Company
“Share(s)”	ordinary shares of USD0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hong Yuan Ground Source Heating Pump Technology Co., Ltd* (宏源地能熱泵科技有限公司), a company established under the laws of the PRC
“Target Group”	Target Company and its subsidiary
“Vendor”	Ever Source Science and Technology Development Group., Ltd* (恒有源科技發展集團有限公司), a company established under the laws of the PRC
“%”	per cent

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

Hong Kong, 22 September 2023

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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.hk](http://www.hkexnews.hk) on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of the Company at [www.chyy.com.hk](http://www.chyy.com.hk).*

*\* English name of such entity is the transliteration of its Chinese name for reference only.*