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If you have sold or transferred all your shares in CHYY Development Group Limited (the “Company”), you should at once hand this circular with the accompanying proxy form to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



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)

**(1) PROPOSED ADOPTION OF THE 2024 SHARE OPTION SCHEME
AND
(2) PROPOSED ADOPTION OF THE 2024 SHARE AWARD SCHEME
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A notice convening the extraordinary general meeting (“EGM”) of the Company to be held at 8/F., Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong on Friday, 7 June 2024 at 11:30 a.m. (immediately following the conclusion of the annual general meeting of the Company which is scheduled to be held at 11:00 a.m. on the same date). A notice convening the EGM is set out on pages 48 to 51 of this circular. A form of proxy for use at the EGM is enclosed in this circular. Such form of proxy is also published on the websites of GEM at www.hkgem.com and the Company at www.chyy.com.hk.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed revoked.

This circular will remain on the “Latest Listed Company Information” page of the GEM website for seven days from the date of its publication.

23 May 2024

CHARACTERISTICS OF GEM

The 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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DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this circular:

“2020 Share Award Scheme”	the Company’s share award scheme approved and adopted by the Board on 15 January 2020
“2024 Share Award Scheme”	the Company’s share award scheme proposed to be approved and adopted by the Shareholders, the principal terms of which are set out in this announcement
“2024 Share Option Scheme”	the Company’s share option scheme proposed to be approved and adopted by the Shareholders, the principal terms of which are set out in this announcement
“2024 Share Schemes”	collectively, the 2024 Share Award Scheme and the 2024 Share Option Scheme
“Adoption Date”	the date on which the 2024 Share Schemes are adopted by ordinary resolutions to be passed by the Shareholders at the EGM
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Award Share(s)”	the Shares as awarded by the Board pursuant to the 2024 Share Award Scheme
“Board”	the board of Directors
“Company”	CHYY Development Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM Board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to consider and, if thought fit, approve, among other things, the proposed adoption of the 2024 Share Schemes
“Eligible Person(s)”	(i) any Employee Participant; (ii) any director or employee of a Related Entity; and (iii) any Service Provider
“Employee Participant(s)”	any director (including executive, non-executive and independent non-executive director) or employee of any member of the Group (including persons who are granted options or awards under the 2024 Share Schemes as an inducement to enter into employment contracts with these companies)
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
“Grant Date”	when a Share Option and/or Share Award has been accepted by the Grantee and/or Selected Participant (as the case may be) according to the 2024 Share Option Scheme or 2024 Share Award Scheme and a letter of grant, the date of such letter of grant in respect of the accepted Share Option or Share Award
“Grantee(s)”	any Eligible Person who accepts an Offer in accordance with the terms of the 2024 Share Option Scheme, or (where the context so permits) a person entitled, in accordance with the laws of succession applicable, to exercise any option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	22 May 2024, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Offer”	the offer of the grant of a Share Option pursuant to the 2024 Share Option Scheme

DEFINITIONS

“Offer Date”	the date on which an Offer is made to an Eligible Person which date must be a business day
“Other Scheme(s)”	all the schemes or arrangements involving the grant by the Company or any member of the Group of options over Shares or other securities of the Company to, or for the benefit of, specified participants of such schemes or arrangements which, in the opinion of the Stock Exchange, is analogous to a share scheme as described in Chapter 23 of the GEM Listing Rules, other than the 2020 Share Award Scheme and the 2024 Share Schemes
“Related Entity”	a holding company (as defined in the GEM Listing Rules), a fellow subsidiary (“subsidiary” as defined in the GEM Listing Rules) or an associated company of the Company
“Related Entity Participant(s)”	any Eligible Person who is a director or an employee of a Related Entity
“Remuneration Committee”	the remuneration committee of the Company
“Scheme Mandate Limit”	the limit on the total number of Shares which may be allotted and issued in respect of (i) all Share Options and Share Awards; (ii) all share options and all share awards that may be granted under any Other Schemes, which must not exceed 10% of the total number of Shares in issue as at the Adoption Date
“Selected Participant(s)”	any Eligible Person(s) selected by the Board in accordance with the terms of the 2024 Share Schemes

DEFINITIONS

“Service Provider(s)”	any person who, or entity which, provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group or which will contribute significantly to the growth of the Group’s financial or business performance, including independent contractors, consultants, agents, and advisers engaged to provide services in relation to subcontracted engineering construction, technical consulting on the principal business activities in development of its non-combustion, integrated heating and cooling systems that utilize geothermal energy, and the promotion of its comprehensive shallow ground source heating and cooling energy system solutions of the Group, as determined by the Board in its sole and absolute discretion, provided that any (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions; and (ii) professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity should not be Service Providers
“Service Provider Sublimit”	where the Selected Participants include Service Provider(s), the limit on the total number of Shares which may be allotted and issued in respect of (i) all Share Options and Share Awards; (ii) all share options and all share awards that may be granted under any Other Schemes, which must not exceed 1% of the total number of Shares in issue as at the Adoption Date
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Award(s)”	an award of Shares pursuant to the 2024 Share Award Scheme
“Share Option(s)”	a right to subscribe for Shares pursuant to the 2024 Share Option Scheme
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Xu Shengheng (*Chairman*)
Ms. Chan Wai Kay, Katherine (*Deputy Chairman*)
Mr. Dai Qi
Mr. Zhang Wei

Non-executive Directors:

Mr. Liao Yuan
Mr. Zhang Yiyang
Ms. Liu Ening

Independent non-executive Directors:

Mr. Wu Qiang
Mr. Guan Chenghua
Mr. Zhang Honghai

Registered Office:

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Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

*Headquarters and principal place of
business in Hong Kong:*

8/F., Chung Hing Commercial Building
62-63 Connaught Road Central
Central
Hong Kong

23 May 2024

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED ADOPTION OF THE 2024 SHARE OPTION SCHEME
AND
(2) PROPOSED ADOPTION OF THE 2024 SHARE AWARD SCHEME
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information and to seek your approval, *inter alia*, on (1) the proposed adoption of the 2024 Share Option Scheme and (2) the proposed adoption of the 2024 Share Award Scheme. A notice of the EGM containing the resolutions to be proposed at the EGM is set out in this circular.

LETTER FROM THE BOARD

1. PROPOSED ADOPTION OF THE 2024 SHARE SCHEMES

The 2020 Share Award Scheme

The 2020 Share Award Scheme was adopted by the Company on 15 January 2020 and is valid for ten years commencing from the date of adoption. The 2020 Share Award Scheme is funded solely by existing Shares. As of the Latest Practicable Date, a total of 86,808,000 awarded Shares were purchased through the open market and are currently held by the designated trustee under the 2020 Share Award Scheme (the “**Outstanding Awarded Shares**”). These Outstanding Awarded Shares have not yet been awarded to eligible participants, and this will be done before the adoption of the 2024 Shares Schemes. To ensure that the terms of the 2020 Share Award Scheme are fully adhered to and that these Outstanding Awarded Shares remain enforceable, the Board has decided to maintain the validity and full exercisability of the 2020 Share Award Scheme.

Save for the 2020 Share Award Scheme, the Company had no other subsisting share schemes which have not expired as at the Latest Practicable Date.

The amendments to Chapter 23 of the GEM Listing Rules took effect on 1 January 2023. In this connection, the Board resolved to adopt the 2024 Share Schemes. The provisions of the 2024 Share Schemes will comply with the requirements of the amended Chapter 23 of the GEM Listing Rules, which took effect on 1 January 2023.

Adoption of the 2024 Share Schemes

Reasons for the adoption of the 2024 Share Schemes

The Board proposed adopting the 2024 Share Schemes to increase the Group’s value and align the interests of the Selected Participants directly with the Shareholders through share ownership.

The 2024 Share Schemes aim to (i) recognise the contributions made by certain Selected Participants by providing them with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional incentives for them to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate the Selected Participants to maximise the value of the Company for the benefits of both the Selected Participants and the Company.

Scope of Eligible Persons

The Eligible Persons of the 2024 Share Schemes comprise: (i) any Employee Participant; (ii) any director or employee of a Related Entity; and (iii) any Service Provider.

LETTER FROM THE BOARD

In determining the basis of eligibility of each Eligible Person, the Board will take into consideration matters including but without limitation the present and future contribution of the relevant Eligible Person, the performance of the relevant Eligible Person as well as the Group's overall business objectives and future development plan.

In respect of the eligibility of the Employee Participants, the Board will consider, amongst others, (i) the individual performance; (ii) time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard; and (iii) the length of engagement with the Group.

In the case of Service Providers, such category of participants include independent contractors, consultants, agents, advisers and service providers of any member of the Group who provide services (including (i) subcontracted services relating to the engineering construction of the Group; (ii) technical consulting services on the principal business activities in development of its non-combustion, integrated heating and cooling systems that utilize geothermal energy; and (iii) the market and business development services relating to the promotion of its comprehensive shallow ground source heating and cooling energy system solutions) to the Group to support the Group's business activities for the time being and in the future.

In respect of the eligibility of Service Providers, the Board will, on a case by case basis, take into account the following factors, including but not limited to (i) the favorable pricing offered by long-term cooperative Service Providers; (ii) the length of business relationship between the specialized Service Providers and the Group; (iii) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (iv) the background, reputation and track record of the relevant Service Providers; (v) the Service Providers' actual or potential contribution to the Group in terms of a reduction in costs or an increase in turnover or profit; and (vi) the Group's future business plans in relation to further collaboration with such Service Providers and the long-term support that the Group may receive accordingly.

In assessing whether the Service Provider provides services to the Group on a continuing and recurring basis and in its ordinary and usual course of business, the Board shall take into consideration the length, type and nature of services and strategic benefit provided to the Group by such Service Provider, and the recurrences and regularity of such services, and whether such services form part of or are directly ancillary to the businesses conducted by the Group.

LETTER FROM THE BOARD

In assessing the eligibility of Related Entity Participants, the Board will consider, among others, their participation and contribution to the development of the Group and/or the extent of benefits and synergies brought to the Group.

Board's view

Considering (i) that the Service Providers and Related Entity Participants have contributed to the long-term growth of the Group's businesses; (ii) that the success of the Group requires the co-operation and contribution not only from its directors and employees, but also from various other parties who play an instrumental role in and make actual or potential contributions to the business and development of the Group; and (iii) the factors which the Board will take into account in assessing the eligibility of Service Providers and Related Entity Participants are also highly linked to the actual or future contribution made by them to the Group, the Board is of the view that it would be in the Company's interest to also have the flexibility to grant Share Options and/or Share Awards to the Related Entity Participants and Service Providers in recognition of their contribution to the Group. The Directors (including the independent non-executive Directors) also consider that it is beneficial to include the Related Entity Participants and Service Providers since a sustainable and stable relationship with them is essential to the business development of the Group, and that the grant of Share Options and/or Share Awards to these non-Employee Participants will align their interests with the Group's, incentivising them to provide better services to the Group and/or contribute to the success of the Group in the long run.

Therefore, the Board (including independent non-executive Directors) considers that the proposed categories of the Service Providers and Related Entity Participants are in line with the Company's business needs and the industry norm, desirable and necessary from a commercial perspective and help maintain and enhance the competitiveness of the Group. Through the grant of the Share Options and/or Share Awards, such participants and the Group will have a common goal in the growth and development of the Group's business, and such participants could participate in the future prospect of the Group and share the additional reward through their sustainable contribution.

The 2024 Share Schemes – Scheme Mandate Limit and Service Provider Sublimit

Scheme Mandate Limit

Pursuant to Rule 23.03B(1) of the GEM Listing Rules, the Scheme Mandate Limit, being the total number of Shares which may be allotted and issued in respect of all Share Options and Share Awards, all share options and all share awards that may be granted under the 2024 Share Schemes and any Other Schemes existing at such time, must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of this limit by the Shareholders at a general meeting.

LETTER FROM THE BOARD

As at the Latest Practicable Date, there were 4,526,925,163 Shares in issue. Assuming that (a) no further Shares will be allotted, issued, repurchased or cancelled prior to the EGM and (b) the resolutions regarding the proposed adoption of the 2024 Share Schemes with the relevant scheme mandate limit are passed at the EGM, the total number of Shares which may be issued in respect of all Share Options and Share Awards, all share options and all share awards that may be granted under the 2024 Share Schemes and any Other Schemes would be no more than 452,692,516 Shares, representing no more than 10% of the total number of Shares in issue as at the Adoption Date.

Service Provider Sublimit

Within the Scheme Mandate Limit, the Service Provider Sublimit, being the total number of Shares which may be allotted and issued in respect of all Share Options and Share Awards, all share options and all share awards that may be granted to the Service Providers under the 2024 Share Schemes and any Other Schemes existing at such time, must not in aggregate exceed 1% of the total number of Shares in issue as at the date of separate approval of this sublimit by the Shareholders at a general meeting.

As at the Latest Practicable Date, there were 4,526,925,163 Shares in issue. Assuming that (a) no further Shares will be allotted, issued, repurchased or cancelled prior to the EGM and (b) the resolutions regarding the proposed adoption of the 2024 Share Schemes with the relevant service provider sublimit are passed at the EGM, the total number of Shares that may be issued in respect of all Share Options and Share Awards that may be granted under the 2024 Share Schemes and all share options and all share awards that may be granted under any Other Schemes to the Service Providers would be no more than 45,269,251 Shares, representing no more than 1% of the total number of Shares in issue as at the Adoption Date.

The basis for determining the Service Provider Sublimit includes (i) the potential dilution effect arising from the grants to the Service Providers; (ii) the importance of striking a balance between achieving the purpose of the 2024 Share Schemes and protecting the Shareholders from the dilution effect from granting a substantial amount of Share Options and Share Awards to the Service Providers; (iii) the extent of use of Service Providers' services in the Group's businesses, the current payment and/or settlement arrangement with the Service Providers; and (iv) the expected contribution to the development and growth of the Group attributable to the Service Providers. Given the above, the Board considers that a Service Provider Sublimit representing an aggregate of 1% of the total number of Shares in issue as at the Adoption Date will not lead to an excessive dilution of shareholding of the existing Shareholders.

Considering that there are no other share schemes over new Shares other than the 2020 Share Award Scheme and the 2024 Share Schemes, the Group's hiring practice and organisational structures and that the Service Providers have contributed to the long-term

LETTER FROM THE BOARD

growth of the Group's businesses, the Board is of the view that the Service Provider Sublimit is appropriate and reasonable given the nature of the Group's business needs, and such limit provides the Group with flexibility to provide equity incentives (instead of expending cash resources in the form of monetary consideration) to reward and collaborate with persons who are not employees or officers of the Group, but who may have exceptional expertise in their field or who may be able to provide valuable expertise and services to the Group, which is in line with the purpose of the 2024 Share Schemes.

Vesting Period

To ensure the practicability in fully attaining the purpose of the 2024 Share Schemes, the Board and the Remuneration Committee are of the view that (i) there are certain instances where a strict twelve (12)-month vesting requirement would not work or would not be fair to the holders of the Share Options and Share Awards, which are set out in the paragraph headed "8. VESTING SCHEDULE" in the Appendix I and in the paragraph headed "9. VESTING SCHEDULE" in the Appendix II to this circular; (ii) there is a need for the Company to retain flexibility in certain cases to provide a competitive remuneration package to attract and retain individuals to provide services to the Group, to provide for succession planning and the effective transition of employee responsibilities and to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified; and (iii) the Company should be allowed discretions to formulate its own talent recruitment and retention strategies in response to changing market conditions and industry competition, and thus should have flexibility to impose vesting conditions such as performance-based vesting conditions instead of time-based vesting criteria depending on individual circumstances.

Hence, the Board and the Remuneration Committee are of the view that the shorter vesting period prescribed in the paragraph headed "8. VESTING SCHEDULE" in the Appendix I and in the paragraph headed "9. VESTING SCHEDULE" in the Appendix II to this circular is in line with the market practice and is appropriate and aligns with the purpose of the 2024 Share Schemes.

Basis of determining the exercise price of Share Options

Grantees to whom Share Options shall be granted, are entitled to subscribe for the number of Shares at the exercise price as determined on the Offer Date. The basis for determining the exercise price is also specified in the rules of the 2024 Share Option Scheme and is summarised under paragraph headed "4. PRICE OF SHARES" in the Appendix I to this circular. As the exercise price must be not less than the price stipulated in the GEM Listing Rules, it is expected that Grantees will endeavour to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the Share Options, which in turn is expected to benefit the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Basis of determination of the purchase price of the Award Shares

Unless the Board at their absolute discretion otherwise determine on a case-by-case basis, the Share Awards shall be granted to a Selected Participant at no consideration as to align with the purpose to reward the Eligible Participants who have contributed or will contribute to the Group. The purchase price of the Award Shares (if any) shall be such price as determined by the Board, the committee of the Board, or person(s) to which the Board has delegated its authority from time to time based on considerations such as the prevailing closing price of the Shares, the purpose of the Share Awards and the characteristics and profile of the Selected Participants.

Performance targets and clawback mechanism

Vesting of Share Options and Share Awards will be subject to performance targets, if any, to be satisfied by the Eligible Persons as determined by the Board or the Remuneration Committee from time to time. The performance targets may comprise a mixture of attaining satisfactory key performance indicators components (such as the business performance and financial performance of the Group or departmental and individual performance based on the annual performance assessment results) which may vary among the Eligible Persons. For the avoidance of doubt, the performance targets are not applicable to independent non-executive Directors. Such performance targets will be consistent with the purpose of the 2024 Share Schemes as it encourages the Eligible Participants to achieve such performance target thereby increasing the value of the Group.

Upon the occurrence of certain events in relation to an Eligible Person, no further Share Options or Share Awards may be granted to such Eligible Person and the Share Options and Share Awards granted to such Eligible Person shall be clawed back and such Share Options and Share Awards shall lapse accordingly on the date as determined by the Board (if such Share Options and Share Awards are unvested). In addition, where a Share Option granted to an Eligible Person has been vested and already exercised, or where a Share Award granted to an Eligible Person has already been vested, at the time when the Eligible Person's Share Options or Share Awards are clawed back, the Eligible Person shall return, by the Board's determination at its sole and absolute discretion, either (i) the exact number of the relevant vested and clawed back underlying Shares in respect of such Share Options or Share Awards, or (ii) the monetary amount equivalent to the value of the relevant underlying Shares of the Share Options or Share Awards (I) on the grant date, (II) on the date of vesting of the relevant Share Options or Share Awards, or (III) on the date of such clawback.

For details of the clawback mechanism of the 2024 Share Schemes, please refer to the paragraph headed "10. CLAWBACK" in the Appendix I and the paragraph headed "11. CLAWBACK" in the Appendix II to this circular. The above clawback mechanism is consistent with the purpose of the 2024 Share Schemes as an Eligible Participant falling

LETTER FROM THE BOARD

under any of the events outlined in the paragraph headed “10. CLAWBACK” in Appendix I and the paragraph headed “11. CLAWBACK” in Appendix II to this circular, in relation to a Grantee, shall not be rewarded under the 2024 Share Schemes.

Voting rights of the trustee of the 2024 Share Award Scheme

A trustee will be appointed to administer the 2024 Share Award Scheme. The trustee holding unvested Shares of the 2024 Share Award Scheme, whether directly or indirectly, shall abstain from voting on matters that require shareholders’ approval under the GEM Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner’s direction and such a direction is given.

Conditions precedent of the 2024 Share Schemes

The adoption of the 2024 Share Option Scheme is conditional upon:

- (i) the passing of Resolutions 1 and 3 as set out in the notice of the EGM in relation to the 2024 Share Option Scheme by the Shareholders at the EGM; and
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any Share on the Stock Exchange which may be issued in respect of all Share Options to be granted in accordance with the terms and conditions of the 2024 Share Option Scheme.

The adoption of the 2024 Share Award Scheme is conditional upon:

- (i) the passing of Resolutions 2 and 3 as set out in the notice of the EGM in relation to the 2024 Share Award Scheme by the Shareholders at the EGM; and
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any Share on the Stock Exchange which may be issued in respect of all Share Awards to be granted in accordance with the terms and conditions of the 2024 Share Award Scheme.

General

None of the Directors is a trustee of the 2024 Share Schemes nor has a direct or indirect interest in the trustees of the 2024 Share Schemes (if any).

As at the Latest Practicable Date, the Company had not granted any Share Options or Share Awards under the 2024 Share Schemes.

LETTER FROM THE BOARD

A summary of the principal rules of the 2024 Share Schemes is set out in Appendix I and Appendix II to this circular. A copy of each of the 2024 Share Schemes will be made available for inspection at the EGM and will be published on the websites of GEM at www.hkgem.com and the Company at www.chyy.com.hk for not less than 14 days before the date of the EGM.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued in respect of all Share Options and/or Share Awards to be granted under the 2024 Share Schemes.

As at the Latest Practicable Date, no Shareholder had a material interest in the adoption of the 2024 Share Schemes. As such, no Shareholder is required to abstain from voting on the resolution(s) in relation thereto.

2. EXTRAORDINARY GENERAL MEETING

The procedures for conducting a poll at the EGM are set out in section 3 below.

A form of proxy for use at the EGM is enclosed, a copy of which can also be obtained via the website of the Company at www.chyy.com.hk or the website of HKEXnews at www.hkexnews.hk. Whether you are able to attend the EGM or not, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, and in any event so that it is received not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish. **Subject to the applicable requirements and/or guidelines of the Hong Kong Government and/or regulatory authorities, the Company may announce further updates on the EGM arrangement on the Company's website at www.chyy.com.hk as and when appropriate.**

3. PROCEDURES FOR POLL VOTING

Pursuant to Rule 17.47(4) of the GEM Listing Rules, at any general meeting, a resolution put to the vote of Shareholders shall be taken by poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Detailed procedures for conducting a poll are set out below and will also be explained at the commencement of the EGM.

LETTER FROM THE BOARD

The chairman of the EGM will exercise his right under Article 66 of the Articles of Association to demand for poll voting on all the resolutions as set out in the notice of the EGM. For poll voting, every Shareholder present in person or by proxy or, in case of a corporate Shareholder, by its duly authorised representative shall have one vote for every fully paid Share in accordance with Article 66 of the Articles of Association.

Every Shareholder present in person or by proxy or, in case of a corporate Shareholder, by its duly authorised representative who is entitled to more than one vote need not use all his/her/its votes or cast all his/her/its votes in the same way. That means he/she/it can cast some of his/her/its votes in favour of the resolutions and some of his/her/its votes against the resolutions.

The branch share registrar of the Company will act as the scrutineer for the poll voting. The scrutineer will distribute a voting slip to every Shareholder in person or a proxy or duly authorised representative of a corporate Shareholder on registration of attendance at the EGM.

The chairman of the EGM will arrange for all the resolutions to be proposed and seconded first and then conduct the voting by poll on each of the resolutions thereafter.

After completion of the voting slips by the Shareholders, the scrutineer will collect the completed voting slips and then count the votes.

The results of the poll on all the resolutions as set out in the notice of the EGM in both English and Chinese will be published on the website of the Company at www.chyy.com.hk and the website of HKEXnews at www.hkexnews.hk later on the date of the EGM.

4. DOCUMENTS ON DISPLAY

A copy of each of the 2024 Share Schemes will be published on the websites of the Stock Exchange and the Company for display for a period of not less than 14 days before the date of the EGM. In addition, such copies of the 2024 Share Schemes will be made available for inspection at the EGM.

5. RECOMMENDATION

The Directors (including independent non-executive Directors) are of the opinion that the proposed adoption of the 2024 Share Schemes is in the interests of the Company and the Shareholders as a whole and so recommend you to vote in favour of all the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

6. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

On behalf of the Board
CHYY Development Group Limited
Mr. Xu Shengheng
Chairman

APPENDIX I PRINCIPAL TERMS OF THE 2024 SHARE OPTION SCHEME

The following is a summary of the principal terms of the 2024 Share Option Scheme proposed to be adopted at the EGM. It does not form part of, nor is it intended to be part of the rules of the 2024 Share Option Scheme. The Directors reserve the right at any time prior to the EGM to make such amendments to the 2024 Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary in this Appendix.

1. PURPOSES

The objectives of the 2024 Share Option Scheme are to:

- (i) recognise the contributions by certain Selected Participants with an opportunity to acquire a proprietary interest in the Company;
- (ii) encourage and retain such individuals for the continual operation and development of the Group;
- (iii) provide additional incentives for them to achieve performance goals;
- (iv) attract suitable personnel for further development of the Group; and
- (v) motivate the Selected Participants to maximise the value of the Company for the benefits of both the Selected Participants and the Company,

with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Selected Participants directly to the Shareholders through ownership of Shares.

2. WHO MAY JOIN AND CRITERIA FOR DETERMINING ELIGIBLE PERSONS

The Board may, in its absolute discretion, grant options to any Eligible Person comprise: (i) any Employee Participant; (ii) any director or employee of a Related Entity; and (iii) any Service Provider.

In determining the basis of eligibility of each Eligible Person, the Board will take into consideration matters including but without limitation the present and future contribution of the relevant Eligible Person, the performance of the relevant Eligible Person as well as the Group's overall business objectives and future development plan.

In respect of the eligibility of the Employee Participants, the Board will consider, amongst others, (i) the individual performance; (ii) time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard; and (iii) the length of engagement with the Group.

APPENDIX I PRINCIPAL TERMS OF THE 2024 SHARE OPTION SCHEME

In the case of Service Providers, such category of participants include independent contractors, consultants, agents, advisers and service providers of any member of the Group who provide services (including (i) subcontracted services relating to the engineering construction of the Group; (ii) technical consulting services on the principal business activities in development of its non-combustion, integrated heating and cooling systems that utilize geothermal energy; and (iii) the market and business development services relating to the promotion of its comprehensive shallow ground source heating and cooling energy system solutions) to the Group to support the Group's business activities for the time being and in the future.

In respect of the eligibility of Service Providers, the Board will, on a case by case basis, take into account the following factors, including but not limited to (i) the favorable pricing offered by long-term cooperative Service Providers; (ii) the length of business relationship between the specialized Service Providers and the Group; (iii) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (iv) the background, reputation and track record of the relevant Service Providers; (v) the Service Providers' actual or potential contribution to the Group in terms of a reduction in costs or an increase in turnover or profit; and (vi) the Group's future business plans in relation to further collaboration with such Service Providers and the long-term support that the Group may receive accordingly.

APPENDIX I PRINCIPAL TERMS OF THE 2024 SHARE OPTION SCHEME

Further to the above criteria, set out below is the detailed basis of determining the eligibility of each category of the Service Providers:

Class of Service Providers	Contribution of the Service Providers	Criteria for determining eligibility under the 2024 Share Schemes
Independent contractors	<p>Independent contractors in this category refer to the subcontracted service providers who offer engineering, construction and project implementation services, on a recurring basis, related to the Group’s shallow geothermal energy projects.</p> <p>These independent contractors consistently support the Group’s engineering construction, covering different stages of the Group’s engineering projects, including, among others: (i) Drilling and wellhead installation for the Group’s geothermal energy collection; and (ii) Wiring, piping and other installation services for the Group’s air conditioning projects.</p> <p>The Group recognises the importance of maintaining an ongoing collaborative relationship with independent contractors, as their technical expertise, engineering services and project execution capabilities are essential for the successful delivery of the Group’s geothermal energy solutions. The Group believes it would be mutually beneficial to grant proprietary ownership in the Company to these Service Providers, fostering a vested shareholding interest in the Company and incentivizing them to provide stable, high-quality support for the Group’s engineering construction.</p>	<p>The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such Service Providers, including:</p> <ul style="list-style-type: none"> (a) the favorable pricing offered by the long-term cooperative engineering subcontractors, which allows the Group to reduce the costs associated with self-performing the engineering work, such as labor and equipment expenses; (b) the specialized expertise of the long-term cooperative engineering subcontractors in different stages of the engineering projects, which enables them to take charge of the portions they are most proficient in, thereby allowing them to better understand and cater to the Group’s subcontracting requirements, ultimately improving the overall efficiency and productivity of the engineering projects; (c) the benefits and strategic value brought by the Service Providers to the Group’s development and future prospects in terms of the profits and/or income attributable to the Service Providers’ collaboration with the Group; and (d) the business opportunities and external connections that the Service Providers have introduced or will potentially introduce to the Group.

APPENDIX I PRINCIPAL TERMS OF THE 2024 SHARE OPTION SCHEME

Class of Service Providers	Contribution of the Service Providers	Criteria for determining eligibility under the 2024 Share Schemes
Advisers or consultants	<p>Advisers, consultants and service providers under this category would be individuals and/or businesses which provide, on a monthly or recurring basis, the following advisory and consultancy services to the Group:</p> <p>(i) Technical Advisory Services: Experts who provide advisory and consultancy services related to the Group’s principal business activities in development of its non-combustion, integrated heating and cooling systems that utilize geothermal energy.</p> <p>(ii) Marketing and Business Development Services: Advisers who provide regular support to the Group in areas concerning business strategy and marketing activities in relation to the promotion of its comprehensive shallow ground source heating and cooling energy system solutions for various types of buildings across different regions, including mainland China, North America, Australia, and Eastern Europe.</p>	<p>The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such Service Providers, including:</p> <p>(a) the expertise, professional qualifications and industry experience of the Service Providers, particularly in the area of single well circulation heat exchange collection technology for shallow geothermal energy applications, including senior experts and academicians;</p> <p>(b) the prevailing market fees chargeable by other services providers;</p> <p>(c) the Group’s period of engagement of or collaboration with the Service Providers;</p> <p>(d) the Service Providers’ actual or potential contribution to the Group in terms of a reduction in costs or an increase in turnover or profit; and</p> <p>(e) the extensive industry connections, relationships and proven track record of the Service Providers in securing engineering project opportunities through their marketing and business development services, which go beyond the capabilities of Employee Participants.</p>

APPENDIX I PRINCIPAL TERMS OF THE 2024 SHARE OPTION SCHEME

Class of Service Providers	Contribution of the Service Providers	Criteria for determining eligibility under the 2024 Share Schemes
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The Group may seek advisory services and consultancy services from consultants or advisers with the expertise, professional qualifications and industry experience, which can bring positive impacts or strategic benefits to the Group's business growth and development. Granting performance rewards in the form of Share Options to such Service Providers will motivate them to continuously devote resources towards the Group and serves to bind their interests with the Group's interests in the long term.

Under the share option scheme adopted by the Company on 28 July 2010, the Board granted a total of 80.5 million share options to the following categories of Service Providers:

- (i) Providers of Technical Advisory Services:
52 million shares;
- (ii) Providers of Marketing and Business Development Services:
6 million shares; and
- (iii) Providers of management consulting services covering the Group's business operations and management, including cost control and expense management, financial management, and production safety operations:
22.5 million shares.

Such granting of the Shares aims to incentivize them to continuously devote their specialized expertise, industry knowledge, and strategic resources towards supporting the Group's evolving business needs and serves to bind their interests with the Group's interests in the long term.

In assessing whether the Service Provider provides services to the Group on a continuing and recurring basis and in its ordinary and usual course of business, the Board shall take into consideration the length, type and nature of services and strategic benefit provided to the Group by such Service Provider, and the recurrences and regularity of such services, and whether such services form part of or are directly ancillary to the businesses conducted by the Group.

APPENDIX I PRINCIPAL TERMS OF THE 2024 SHARE OPTION SCHEME

In assessing the eligibility of Related Entity Participants, the Board will consider, among others, their participation and contribution to the development of the Group and/or the extent of benefits and synergies brought to the Group.

3. ADMINISTRATION

Subject to the GEM Listing Rules, the 2024 Share Option Scheme shall be subject to the administration of the Board or a committee of the Board including the independent non-executive Directors and the decision of the Board or such committee shall be final and binding on all parties. Notwithstanding the foregoing, to the extent permitted under the GEM Listing Rules, the Board and such committee may delegate the authority to administer the 2024 Share Option Scheme to a member of such committee or other person(s) as deemed appropriate at the sole discretion of the Board and/or such committee.

4. PRICE OF SHARES

The subscription price for Shares under the 2024 Share Option Scheme will be a price determined by the Board and notified to an Eligible Person.

The subscription price will be the highest of:

- (i) the nominal value of a Share;
- (ii) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Grant Date, which must be a business day; and
- (iii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Grant Date.

5. MAXIMUM NUMBER OF SHARES

- (i) subject to refreshment and adjustment upon Share consolidation or subdivision, the maximum number of Shares which may be allotted and issued in respect of (a) all Share Options and/or Share Awards; and (b) all share options and all share awards to be granted under any Other Schemes (i.e. the Scheme Mandate Limit) must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date.
- (ii) where the Selected Participants include Service Provider(s), the maximum number of Shares which may be allotted and issued in respect of (a) all Share Options and/or Share Awards; (b) all share options and all share awards to be granted under any Other Schemes (i.e. the Service Provider Sublimit) must not in aggregate exceed 1% of the total number of Shares in issue as at the Adoption Date, unless the Company has obtained separate approval by Shareholders in general meeting.

APPENDIX I PRINCIPAL TERMS OF THE 2024 SHARE OPTION SCHEME

- (iii) the Scheme Mandate Limit and the Service Provider Sublimit may respectively be refreshed by ordinary resolution of the Shareholders in general meeting after three years from the Adoption Date or the date of Shareholders' approval for the last refreshment, provided that the total number of Shares which may be issued in respect of (a) all Share Options and all Share Awards; and (b) all share options and all share awards to be granted under any Other Schemes under the Scheme Mandate Limit as refreshed (the "**New Scheme Mandate Limit**") must not exceed 10% (and the Service Provider Sublimit as refreshed (the "**New Service Provider Sublimit**") must not exceed 1%) of the Shares in issue at the date of the Shareholders' approval of such New Scheme Mandate Limit (and New Service Provider Sublimit). Shares which are subject matter of any Share Options and Share Awards and any share options and share awards previously granted under any Other Schemes (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of the 2024 Share Schemes or any Other Schemes) will not be counted for the purpose of calculating the total number of Shares subject to the New Scheme Mandate Limit (and New Service Provider Sublimit). The Company must send a circular to its Shareholders containing the number of Share Options, share options and share awards that were already granted under the existing Scheme Mandate Limit and the existing Service Provider Sublimit, and the reason for the refreshment.
- (iv) for any 12-month period up to and including the date of grant of Share Options, the aggregate number of Shares issued and to be issued in respect of all Share Options and Share Awards granted to any Eligible Person (excluding any options or awards lapsed in accordance with the 2024 Share Schemes as applicable) under the 2024 Share Schemes and any grants of options or awards made under any Other Scheme(s) of the Company shall not exceed 1% of the issued Shares from time to time, unless such grant is separately approved by the Shareholders in general meeting at which the relevant Eligible Person and his/her close associates (with the meaning ascribed thereto under the GEM Listing Rules) (or his/her Associates if the Eligible Person is a connected person) shall abstain from voting. The Company shall send a circular to the Shareholders, and the circular must disclose the identity of the Eligible Person, the number and terms of the Share Options to be granted to such Eligible Person, and other information required under the GEM Listing Rules. The number and terms of the Share Options to be granted to such Eligible Person must be fixed before Shareholders' approval.

6. GRANT OF OPTIONS TO CONNECTED PERSONS

Any grant of Share Options to a Director or chief executive of the Company or any of their respective associates must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is a prospective Grantee).

Where Share Options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective Associates, and the proposed grant of Share Options would result in the Shares issued and to be issued in respect of all (i) options (regardless whether such options are granted under the 2024 Share Option Scheme or any other share option scheme(s) of the Company); and (ii) awards involving issue of new Shares already granted to such person in the 12-month period up to and including the date of the grant of such Share Options to represent in aggregate over 0.1% of the total number of Shares in issue, the proposed grant of Share Options must be approved by Shareholders in general meeting. In such a case, the Company shall send a circular to the Shareholders containing all those terms as required under the GEM Listing Rules. The Grantee, his/her Associates and all core connected persons of the Company must abstain from voting at such general meeting. In calculating the aforesaid limit of 0.1%, any options and awards lapsed in accordance with the terms of the corresponding scheme shall not be counted.

7. TIME FOR ACCEPTANCE OF OFFER AND EXERCISE OF SHARE OPTIONS

An Offer shall be made to an Eligible Person by letter requiring the Eligible Person to undertake to hold the Share Option on the terms on which it is to be granted and to be bound by the provisions of the 2024 Share Option Scheme and shall remain open for acceptance by the Eligible Person for a period of 28 days from the Offer Date (the “**Offer Period**”). Any Offer may be accepted in respect of less than the number of Shares to which the offered Share Option relates. To the extent that the Offer is not accepted within 28 days in accordance with the terms of the 2024 Share Option Scheme and the offer letter, it will be deemed not to have taken effect and will automatically lapse forthwith on the day following the last day of the Offer Period.

The Grantee may subscribe for Shares during such period as may be determined by the Board (the period shall commence on the date on which the offer relating to such option is duly approved by the Board in accordance with the 2024 Share Option Scheme and expire in any event not later than the last day of the 10-year period after the date of grant of option (subject to early termination as set out in the 2024 Share Option Scheme)) (the “**Option Period**”). Subject to the limitation in relation to the vesting period as set out in paragraph 8 below, the 2024 Share Option Scheme does not provide for any minimum period for which a Share Option must be held before it can be exercised.

8. VESTING SCHEDULE

- (1) Save for the circumstances prescribed in paragraph 8(2), a Share Option must be held by the Grantee for at least 12 months from the date of grant before the Share Option can be exercised.
- (2) Share Options granted to Employee Participants may be subject to a shorter vesting period as determined by (i) the remuneration committee of the Company if such Employee Participant is a Director or a senior manager of the Company, or (ii) the Board if such Employee Participant is not a Director or a senior manager of the Company, under any of the following circumstances:
 - (a) grants of “make-whole” share options to new joiners to replace the share awards or share options they forfeited when leaving their previous employers;
 - (b) grants to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control events;
 - (c) grants with performance-based vesting conditions provided in the 2024 Share Option Scheme or as specified in the offer letter in lieu of time-based vesting criteria;
 - (d) grants that are made in batches during a year for administrative or compliance requirements, for example, Share Options that should have been granted earlier but had to wait for a subsequent batch and the vesting period may be shortened to reflect the time from which the Share Options would have been granted;
 - (e) grants with a mixed or accelerated vesting schedule such as where the Share Options may vest evenly over a period of 12 months, or where the Share Options may vest by several batches with the first batch to vest within 12 months of the grant date and the last batch to vest 12 months after the grant date; and
 - (f) grants with a total vesting and holding period of more than 12 months.

9. PERFORMANCE TARGETS

The 2024 Share Option Scheme provides that vesting of Share Options shall be subject to performance targets, if any, to be satisfied by the Grantees as determined by the Board or the Remuneration Committee from time to time. The performance targets may comprise a mixture of attaining satisfactory key performance indicators components (such as the business performance and financial performance of the Group or departmental and individual performance based on the annual performance assessment results) which may vary among the Grantees. For the avoidance of doubt, the performance targets are not applicable to independent non-executive Directors.

10. CLAWBACK

- (i) Upon the occurrence of any of the following events in relation to a Grantee, no further Share Options shall be granted to such Grantee and the Share Options granted to such Grantee shall be clawed back and shall lapse accordingly on the date as determined by the Board (if such Share Options are unvested):
 - (a) the Grantee has failed to perform duties effectively or is involved in serious misconduct or malfeasance;
 - (b) the Grantee has contravened the relevant laws and regulations of any applicable jurisdiction or the provisions of the articles of association of any member of the Group, any Related Entity or any Service Provider;
 - (c) the Grantee has, during his/her tenure of office, been involved in acceptance or solicitation of bribery, corruption, theft, leakage of trade and technical secrets, conducted other unlawful acts and misconducts, which prejudiced the interest and reputation of and caused significant negative impact to the image of any member of the Group, any Related Entity or any Service Provider;
 - (d) the Grantee has failed to discharge, or failed to discharge properly, his/her duties and thereby resulting in serious loss in assets to any member of the Group, any Related Entity or any Service Provider and other serious and adverse consequences;
 - (e) the Grantee has violated the Company's high voltage lines (or similar standards);
or
 - (f) the Grantee has failed to comply with any non-compete covenants or restrictive covenants or any terms and conditions of a similar effect.
- (ii) Where a Share Option granted to any Grantee has been vested but not yet exercised at the time when such Share Option is clawed back, the relevant Share Option shall automatically lapse forthwith and shall no longer be exercisable.
- (iii) Where a Share Option granted to any Grantee has been vested and already exercised at the time when such Share Option is clawed back, the Grantee shall return to the Company, as determined by the Board at its sole and absolute discretion, either (1) the exact number of the relevant underlying Shares in respect of such Share Option, or (2) the monetary amount equivalent to the value of the relevant underlying Shares of the Share Option.

11. RESTRICTIONS AND LIMITATIONS

- (i) A Share Option shall be personal to the Grantee and shall neither be assignable nor transferable, unless a waiver by the Stock Exchange has been granted and Board approval has been obtained.

- (ii) No offer may be made to any Eligible Person:
 - (a) where the Company has information that must be disclosed under Rule 17.10(1) of the GEM Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under part XIVA of the SFO, until (and including) the trading date after such inside information has been published on the websites of the Stock Exchange and the Company;
 - (b) after any inside information in relation to the securities of the Company has occurred or has become the subject of a decision, until such inside information has been published;
 - (c) within the period commencing one month immediately preceding the earlier of (1) the date of a meeting of the Board (as such date is first notified to the Stock Exchange) for the approval of the Company's results for any year, half-year, or other interim period (whether or not required under the GEM Listing Rules); and (2) the deadline for the Company to publish its quarterly, interim or annual results announcement for any such period, and ending on the date of such announcement; or
 - (d) in any other circumstances where dealings by Selected Participant (including Directors) are prohibited under the GEM Listing Rules, the SFO or any other applicable laws or regulations or where the requisite approval from any applicable regulatory authorities has not been granted.

- (iii) No Offer may be made or announced for a period of 30 days after any purchase by the Company of Shares, whether on the Stock Exchange or otherwise, unless with the prior approval of the Stock Exchange.

12. RIGHTS ON CEASING EMPLOYMENT

Subject to the provision in sub-paragraph (iv) under the paragraph below headed “21. LAPSE OF SHARE OPTION”, if a Grantee ceases to be an Eligible Person for any reason other than on his or her death or the termination of his or her employment on one or more of the grounds specified in sub-paragraph (iv) under the paragraph below headed “21. LAPSE OF SHARE OPTION”, the Grantee may only exercise the Share Option within a period of 3 months thereafter.

13. REORGANISATION OF CAPITAL STRUCTURE

In the event of (i) any alteration in the capital structure of the Company such as capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange, or (ii) any distribution of the Company’s capital assets to the Shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to the Shareholders, such corresponding alterations (if any) shall be made to:-

- (i) the number or nominal amount of Shares subject to the Share Option so far as unexercised; or
- (ii) the subscription price,

or any combination thereof. Any such alterations shall be subject to a written confirmation from an independent financial adviser or the Company’s auditors, to have given the Grantees the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled, provided that no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

14. RIGHTS ON A GENERAL OFFER

If a general offer is made to all the Shareholders and such offer is declared unconditional before the expiry date of the Share Option, the Grantee may by notice in writing within 21 days after such offer becoming or being declared unconditional exercise any Option to its full extent, and to the extent that they have not been so exercised, the right to exercise the Share Option shall upon the expiry of such period terminate immediately.

15. RIGHTS ON A COMPROMISE OR ARRANGEMENT

If a compromise or arrangement between the Company and its members or creditors is proposed, the Company shall give notice to the Grantee on the same date as it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such compromise or arrangement, and thereupon the Grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court, provided that the relevant Share Options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his or her Share Options whether in full or in part, but the exercise of a Share Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Share Options shall lapse except insofar as previously exercised under the 2024 Share Option Scheme. The Company may require the Grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Share Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

16. RIGHTS ON WINDING UP

If a notice is given to a Grantee of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, the Grantee shall be entitled to exercise all or any of his Share Options at any time not later than 2 business days prior to the proposed general meeting of the Company. The Company shall as soon as possible and, in any event no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee, credited as fully paid. The right to exercise the Share Options shall, to the extent that they have not been exercised, terminate immediately on the date of the commencement of the voluntary winding-up of the Company.

17. RIGHTS ON A SCHEME OF ARRANGEMENT

If a general offer by way of a scheme of arrangement is made to all the Shareholders and such scheme has been approved by the necessary number of Shareholders at the requisite meetings prior to the expiry date of the relevant Share Option, the Grantee may thereafter (up to the record date for determining entitlements under such scheme of arrangement) by notice in writing to the Company exercise the Share Option in full or in part. To the extent that the Share Option has not been so exercised, the right to exercise the Share Option shall terminate immediately on the record date for determining entitlements under such scheme of arrangement.

18. RANKING OF SHARES

Shares allotted and issued upon the exercise of a Share Option will rank *pari passu* with the other Shares in issue at the relevant date of exercise of the Share Options except in respect of any dividend or other distribution previously declared or recommended or resolved to be paid if the record date therefor is before the date of exercise of the Share Option. Share Options do not carry any right to vote at general meetings, or any dividend, transfer or other rights (including those arising on the winding-up of the Company).

19. PERIOD OF THE SCHEME

The 2024 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, unless terminated earlier as determined by the Board.

20. ALTERATION AND TERMINATION

Any alterations to the terms and conditions of the 2024 Share Option Scheme which are of a material nature or any alterations to the provisions relating to the matters contained in rule 23.03 of the GEM Listing Rules to the advantage of Grantees or prospective Grantees must be approved by Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any Share Options granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the articles of association for the time being of the Company for a variation of the rights attached to the Shares.

Any change to the terms of Share Options granted to a Grantee must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the Share Options was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the 2024 Share Option Scheme.

The Board may at any time terminate the operation of the 2024 Share Option Scheme and in such event, unless the Board determines otherwise, no further Share Options will be granted but in all other respects the provisions of the 2024 Share Option Scheme shall remain in full force and effect. Share Options granted prior to such termination shall continue to be valid and exercisable in accordance with the 2024 Share Option Scheme.

21. LAPSE OF SHARE OPTION

A Share Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Share Option Period;
- (ii) the expiry of any of the periods referred to in the paragraphs above headed “12. RIGHTS ON CEASING EMPLOYMENT”, “14. RIGHTS ON A GENERAL OFFER” and “16. RIGHTS ON WINDING UP”;
- (iii) subject to the compromise or arrangement (for the purpose of or in connection with reconstruction or amalgamation) becoming effective, the expiry of the period referred to in the paragraph above headed “15. RIGHTS ON A COMPROMISE OR ARRANGEMENT”;
- (iv) the date on which the Grantee ceases to be an Eligible Person due to the following reasons:
 - (a) the Grantee’s service or employment with the Group has been terminated by any member of the Group, any Related Entity or any Service Provider for cause, and “cause” means:
 - (1) dishonesty or serious misconduct, whether or not in connection with his/her employment; willful disobedience or non-compliance with the terms of his/her employment or service contract with any member of the Group, any Related Entity, any Service Provider or any lawful orders or instructions given by any member of the Group, any Related Entity or any Service Provider as the case may be;
 - (2) incompetence or negligence in the performance of his/her duties; or
 - (3) doing anything in the conclusive opinion of the Board adversely affects his/her ability to perform his/her duties properly or brings the Company or the Group, any Related Entity or any Service Provider into disrepute;
 - (b) the Grantee has been summarily dismissed by any member of the Group, any Related Entity or any Service Provider;
 - (c) the Grantee has been convicted for any criminal offence involving his/her integrity or honesty; or
 - (d) the Grantee has been charged, convicted or held liable for any offence under the relevant securities laws in Hong Kong or any other applicable laws or regulations in force from time to time;

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- (v) the Grantee having made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty;
- (vi) the Grantee waiving his/her rights and entitlements to any part of the Share Option;
- (vii) the date of the commencement of the voluntary winding-up of the Company; or
- (viii) the date on which the Grantee commits a breach of the provision of the 2024 Share Option Scheme that a Share Option shall be personal to the Grantee and shall not be assignable and that no Grantee shall sell, transfer, charge, mortgage or encumber or create any interest in favour of a third party over or in relation to any Share Option.

If the Grantee's employment or service is terminated for any reason other than for the reasons provided for under paragraph 21(iv) above ("**Good Leaver**"), any Option invested in respect of such Good Leaver will automatically lapse with effect from the date on which the Good Leaver's employment or service is terminated. The Board may, at its absolute discretion, decide that any portion of the unvested Share Options in respect of such Good Leaver shall continue to vest in accordance with the original vesting schedule of such unvested Share Options during the exercisable period as determined by the Board in its sole discretion.

22. CANCELLATION

In respect of any proposed cancellation of Share Options granted to a Grantee, it must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be), if the initial grant of the Share Option was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be). For the avoidance of doubt, where the Company cancels Share Options granted to a Grantee and makes a new grant to the same Grantee, such new grant may only be made with available Scheme Mandate Limit (Share Option), and that Share Options cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit (Share Option).

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

The following is a summary of the principal terms of the 2024 Share Award Scheme proposed to be adopted at the EGM. It does not form part of, nor is it intended to be part of the rules of the 2024 Share Award Scheme. The Directors reserve the right at any time prior to the EGM to make such amendments to the 2024 Share Award Scheme as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary in this Appendix.

1. PURPOSE

The objectives of the 2024 Share Award Scheme are to:

- (i) recognise the contributions by certain Selected Participants with an opportunity to acquire a proprietary interest in the Company;
- (ii) encourage and retain such individuals for the continual operation and development of the Group;
- (iii) provide additional incentives for them to achieve performance goals;
- (iv) attract suitable personnel for further development of the Group; and
- (v) motivate the Selected Participants to maximise the value of the Company for the benefits of both the Selected Participants and the Company,

with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Selected Participants directly to the Shareholders through ownership of Shares.

2. WHO MAY JOIN AND CRITERIA FOR DETERMINING ELIGIBLE PERSONS

Subject to the scheme rules of the 2024 Share Award Scheme, the Board may, in its absolute discretion, grant Share Awards to any Eligible Person comprise: (i) any Employee Participant; (ii) any director or employee of a Related Entity; and (iii) any Service Provider.

In determining the basis of eligibility of each Eligible Person, the Board will take into consideration matters including but without limitation the present and future contribution of the relevant Eligible Person, the performance of the relevant Eligible Person as well as the Group's overall business objectives and future development plan.

In respect of the eligibility of the Employee Participants, the Board will consider, amongst others, (i) the individual performance; (ii) time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard; and (iii) the length of engagement with the Group.

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

In the case of Service Providers, such category of participants include independent contractors, consultants, agents, advisers and service providers of any member of the Group who provide services (including (i) subcontracted services relating to the engineering construction of the Group; (ii) technical consulting services on the principal business activities in development of its non-combustion, integrated heating and cooling systems that utilize geothermal energy; and (iii) the market and business development services relating to the promotion of its comprehensive shallow ground source heating and cooling energy system solutions) to the Group to support the Group's business activities for the time being and in the future.

In respect of the eligibility of Service Providers, the Board will, on a case by case basis, take into account the following factors, including but not limited to (i) the favorable pricing offered by long-term cooperative Service Providers; (ii) the length of business relationship between the specialized Service Providers and the Group; (iii) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (iv) the background, reputation and track record of the relevant Service Providers; (v) the Service Providers' actual or potential contribution to the Group in terms of a reduction in costs or an increase in turnover or profit; and (vi) the Group's future business plans in relation to further collaboration with such Service Providers and the long-term support that the Group may receive accordingly.

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

Further to the above criteria, set out below is the detailed basis of determining the eligibility of each category of the Service Providers:

Class of Service Providers	Contribution of the Service Providers	Criteria for determining eligibility under the 2024 Share Schemes
Independent contractors	<p>Independent contractors in this category refer to the subcontracted service providers who offer engineering, construction and project implementation services, on a recurring basis, related to the Group’s shallow geothermal energy projects.</p> <p>These independent contractors consistently support the Group’s engineering construction, covering different stages of the Group’s engineering projects, including, among others: (i) Drilling and wellhead installation for the Group’s geothermal energy collection; and (ii) Wiring, piping and other installation services for the Group’s air conditioning projects.</p> <p>The Group recognises the importance of maintaining an ongoing collaborative relationship with independent contractors, as their technical expertise, engineering services and project execution capabilities are essential for the successful delivery of the Group’s geothermal energy solutions. The Group believes it would be mutually beneficial to grant proprietary ownership in the Company to these Service Providers, fostering a vested shareholding interest in the Company and incentivizing them to provide stable, high-quality support for the Group’s engineering construction.</p>	<p>The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such Service Providers, including:</p> <ul style="list-style-type: none"> (a) the favorable pricing offered by the long-term cooperative engineering subcontractors, which allows the Group to reduce the costs associated with self-performing the engineering work, such as labor and equipment expenses; (b) the specialized expertise of the long-term cooperative engineering subcontractors in different stages of the engineering projects, which enables them to take charge of the portions they are most proficient in, thereby allowing them to better understand and cater to the Group’s subcontracting requirements, ultimately improving the overall efficiency and productivity of the engineering projects; (c) the benefits and strategic value brought by the Service Providers to the Group’s development and future prospects in terms of the profits and/or income attributable to the Service Providers’ collaboration with the Group; and (d) the business opportunities and external connections that the Service Providers have introduced or will potentially introduce to the Group.

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

Class of Service Providers	Contribution of the Service Providers	Criteria for determining eligibility under the 2024 Share Schemes
Advisers or consultants	<p>Advisers, consultants and service providers under this category would be individuals and/or businesses which provide, on a monthly or recurring basis, the following advisory and consultancy services to the Group:</p> <p>(i) Technical Advisory Services: Experts who provide advisory and consultancy services related to the Group’s principal business activities in development of its non-combustion, integrated heating and cooling systems that utilize geothermal energy.</p> <p>(ii) Marketing and Business Development Services: Advisers who provide regular support to the Group in areas concerning business strategy and marketing activities in relation to the promotion of its comprehensive shallow ground source heating and cooling energy system solutions for various types of buildings across different regions, including mainland China, North America, Australia, and Eastern Europe.</p>	<p>The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such Service Providers, including:</p> <p>(a) the expertise, professional qualifications and industry experience of the Service Providers, particularly in the area of single well circulation heat exchange collection technology for shallow geothermal energy applications, including senior experts and academicians;</p> <p>(b) the prevailing market fees chargeable by other services providers;</p> <p>(c) the Group’s period of engagement of or collaboration with the Service Providers;</p> <p>(d) the Service Providers’ actual or potential contribution to the Group in terms of a reduction in costs or an increase in turnover or profit; and</p> <p>(e) the extensive industry connections, relationships and proven track record of the Service Providers in securing engineering project opportunities through their marketing and business development services, which go beyond the capabilities of Employee Participants.</p>

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

Class of Service Providers	Contribution of the Service Providers	Criteria for determining eligibility under the 2024 Share Schemes
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The Group may seek advisory services and consultancy services from consultants or advisers with the expertise, professional qualifications and industry experience, which can bring positive impacts or strategic benefits to the Group's business growth and development. Granting performance rewards in the form of Share Awards to such Service Providers will motivate them to continuously devote resources towards the Group and serves to bind their interests with the Group's interests in the long term.

Under the 2020 Share Award Scheme, the Board granted a total of 44 million share options to the following categories of Service Providers:

- (i) Providers of Technical Advisory Services: 40 million; and
- (ii) Providers of management consulting services covering the Group's business operations and management, including cost control and expense management: 4 million.

Such granting of the Shares aims to incentivize them to continuously devote their specialized expertise, industry knowledge, and strategic resources towards supporting the Group's evolving business needs and serves to bind their interests with the Group's interests in the long term.

In assessing whether the Service Provider provides services to the Group on a continuing and recurring basis and in its ordinary and usual course of business, the Board shall take into consideration the length, type and nature of services and strategic benefit provided to the Group by such Service Provider, and the recurrences and regularity of such services, and whether such services form part of or are directly ancillary to the businesses conducted by the Group.

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

In assessing the eligibility of Related Entity Participants, the Board will consider, among others, their participation and contribution to the development of the Group and/or the extent of benefits and synergies brought to the Group.

3. ADMINISTRATION

The 2024 Share Award Scheme shall be subject to the administration of the Board and the trustee, and the decision of the Board and the trustee regarding the administration and operation of the 2024 Share Award Scheme shall be final and binding on all parties. Notwithstanding the foregoing, to the extent permitted under the GEM Listing Rules, the Board may delegate the authority to administer the 2024 Share Award Scheme to the Remuneration Committee, a member of the Remuneration Committee or other person(s) as deemed appropriate at the sole discretion of the Board.

4. PURCHASE AND SUBSCRIPTION OF SHARES

The Board may, at its sole and absolute discretion, notify the trustee, from time to time, to purchase existing Shares and to hold the same for future Selected Participants (together with such existing Shares made available to the trust from time to time, the “**Trustee Shares**”). The Board may, at its discretion, cause to be paid the purchase amount into the trust bank account to enable the trustee to purchase Trustee Shares for the purpose of granting Share Awards under the 2024 Share Award Scheme (the “**Purchase Amount**”). The Purchase Amount is the sum of (X) the amount used to purchase the Trustee Shares on the Stock Exchange and (Y) the necessary and related purchase expenses.

The Board may at its discretion at any time after the date of grant, cause to be paid the reference amount for the purchase and/or subscription of the Shares granted in respect of the Share Awards (the “**Reference Amount**”). The Reference Amount is the sum of (X) (a) the closing price of the Shares as quoted on the Stock Exchange as at the date of grant (or any other date as may be determined by the Board) multiplied by the number of the Shares comprised in the Share Award or (b) the par value of one Share multiplied by the number of the Shares comprised in the relevant Share Award granted to such Selected Participant (as the case may be) and (Y) the necessary and related purchase or subscription expenses.

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

At any time after the date of grant or as instructed by the Company, the trustee will (i) apply the Reference Amount or the Purchase Amount towards the purchase of the Shares granted or Trustee Shares at the prevailing market price, and/or (ii) apply the Reference Amount towards the subscription of the Shares granted at par value of the Shares. The Shares so purchased and/or subscribed for will, subject to the vesting conditions being fulfilled, be transferred to the Selected Participant.

5. MAXIMUM NUMBER OF SHARES

- (i) subject to refreshment and adjustment upon Share consolidation or subdivision, the maximum number of Shares which may be allotted and issued in respect of (a) all Share Options and/or Share Awards; and (b) all share options and all share awards to be granted under any Other Schemes (i.e. the Scheme Mandate Limit) must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date.
- (ii) where the Selected Participants include Service Provider(s), the maximum number of Shares which may be allotted and issued in respect of (a) all Share Options and/or Share Awards; (b) all share options and all share awards to be granted under and any Other Schemes (i.e. the Service Provider Sublimit) must not in aggregate exceed 1% of the total number of Shares in issue as at the Adoption Date, unless the Company has obtained separate approval by Shareholders in general meeting.
- (iii) The Scheme Mandate Limit and the Service Provider Sublimit may respectively be refreshed by ordinary resolution of the Shareholders in general meeting after three years from the Adoption Date or the date of Shareholders' approval for the last refreshment, provided that the total number of Shares which may be issued in respect of all Share Options and all Share Awards, all share options and all share awards to be granted under the 2024 Schemes and any Other Schemes under the Scheme Mandate Limit as refreshed (the "**New Scheme Mandate Limit**") must not exceed 10% (and the Service Provider Sublimit as refreshed (the "**New Service Provider Sublimit**") must not exceed 1%) of the Shares in issue at the date of the Shareholders' approval of such New Scheme Mandate Limit (and New Service Provider Sublimit). Shares which are subject matter of any Share Options and Share Awards, any share options and share awards previously granted under the 2024 Share Schemes and any Other Schemes (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of the 2024 Share Schemes or any Other Schemes) will not be counted for the purpose of calculating the total number of Shares subject to the New Scheme Mandate Limit (and New Service Provider Sublimit). The Company must send a circular to its Shareholders containing the number of Share Awards, share options and share awards that were already granted under the existing Scheme Mandate Limit and the existing Service Provider Sublimit, and the reason for the refreshment.

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

- (iv) no Share Award may be granted to any one Eligible Person such that the total number of Shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the scheme) in any 12-month period up to the date of the latest grant exceeds 1% of the issued Shares from time to time, unless such grant is separately approved by the Shareholders in general meeting with such grantee and his/her close associates (with the meaning ascribed thereto under the GEM Listing Rules) (or his/her Associates if the grantee is a connected person) abstaining from voting in accordance with Rule 23.03D(1) of the GEM Listing Rules.

6. GRANT OF SHARE AWARDS TO CONNECTED PERSONS

Any grant of Share Award of new Shares to a Director, chief executive or substantial shareholder of the Company or any of their respective Associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a prospective Selected Participant).

Where Share Awards of new Shares are proposed to be granted to a Selected Participant who is a Director (other than an independent non-executive Director) or chief executive of the Company or any of their respective Associates, and the proposed grant of Share Awards would result in the Shares issued and to be issued in respect of all awards involving issue of new Shares (regardless whether such awards are granted under the 2024 Share Award Scheme or any other share scheme(s) of the Company but excluding any awards lapsed in accordance with the terms of the 2024 Share Award Scheme) already granted to such person in the 12-month period up to and including the date of the grant of such Share Awards to represent in aggregate over 0.1% of the total number of Shares in issue, the proposed grant of Share Awards must be approved by Shareholders in general meeting. In such a case, the Company shall send a circular to the Shareholders containing all those terms as required under the GEM Listing Rules. The Selected Participant, his/her Associates and all core connected persons of the Company must abstain from voting in favour of the resolution at such general meeting. In calculating the aforesaid limit of 0.1%, any options and awards lapsed in accordance with the terms of the corresponding scheme shall not be counted.

7. TIME FOR ACCEPTANCE OF SHARE AWARDS AND WITHHOLDING

After the Board has selected the Eligible Persons and determined the number of Shares to be granted, it will notify the Selected Participants about the details of the Share Award in writing by way of a grant letter. Upon receipt of the grant letter, the Selected Participants are required to confirm their acceptance of the Share Award by returning to the Company a notice of acceptance duly executed by them within 28 days after the grant date (the “**Acceptance Period**”). If any Selected Participant fails to return the notice of acceptance before the expiration of the Acceptance Period to the Company, the Share Award will be deemed not to have taken effect and automatically lapses forthwith on the day following the last day of the Acceptance Period.

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

The Company or any of its subsidiaries may be entitled to withhold, and any Selected Participant may be obliged to pay, the amount of any tax and/or social security contributions attributable to or payable in connection with the grant of the Share Award and any excluded expenses.

8. CONDITIONS OF SHARE AWARDS

The Board is entitled to impose any conditions (including without limitation, a period of continued service within the Group after the date of grant), as it deems appropriate with respect to the entitlement of the Selected Participant to the Share Award and the Board will inform such Selected Participant by way of a grant letter which sets out, among other things, the number of the Shares to be granted, the terms, conditions (e.g. performance conditions) (if any), restrictions (if any) and vesting schedule of such Share Award. The Board may, at its absolute discretion, include in the grant letter to the Employee Participants an option, upon vesting, to choose either to receive the Share Award in the form of new Shares or cash. In the event that the Employee Participant chooses to receive the Share Award in the form of cash, the Board may, at its absolute discretion, decide whether the cash is to be funded by disposal of existing Shares or Shares newly issued by the Company for the purpose of satisfying the Share Award.

A Share Award includes all cash income from dividends in respect of those Shares from the date the Share Award is granted to the date the Share Award vests. For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares would be paid to the Selected Participant even though the Award Shares have not yet vested.

9. VESTING SCHEDULE

- (1) Save for the circumstances prescribed in paragraph 9(2), the vesting period of a Share Award for new Shares held by the Employee Participant must be at least 12 months.
- (2) Share Awards granted to Employee Participants may be subject to a shorter vesting period as determined by (i) the remuneration committee of the Company if such Employee Participant is a Director or a senior manager of the Company, or (ii) the Board if such Employee Participant is not a Director or a senior manager of the Company, under any of the following circumstances:
 - (a) grants of “make-whole” share options to new joiners to replace the share awards or share options they forfeited when leaving their previous employers;
 - (b) grants to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control events;

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

- (c) grants with performance-based vesting conditions provided in the 2024 Share Option Scheme or as specified in the offer letter in lieu of time-based vesting criteria;
- (d) grants that are made in batches during a year for administrative or compliance requirements, for example, Share Options that should have been granted earlier but had to wait for a subsequent batch and the vesting period may be shortened to reflect the time from which the Share Options would have been granted;
- (e) grants with a mixed or accelerated vesting schedule such as where the Share Options may vest evenly over a period of 12 months, or where the Share Options may vest by several batches with the first batch to vest within 12 months of the grant date and the last batch to vest 12 months after the grant date; and
- (f) grants with a total vesting and holding period of more than 12 months.

10. PERFORMANCE TARGETS

The 2024 Share Award Scheme provides that vesting of Share Awards for new Shares shall be subject to performance targets, if any, to be satisfied by the Selected Participants as determined by the Board from time to time. The performance targets may comprise a mixture of attaining satisfactory key performance indicators components (such as the business performance and financial performance of the Group or departmental and individual performance based on the annual performance assessment results) which may vary among the Selected Participants. For the avoidance of doubt, the performance targets are not applicable to independent non-executive Directors.

11. CLAWBACK

- (i) Upon the occurrence of any of the following events in relation to a Selected Participant, no further Share Awards shall be granted to such Selected Participants and the Share Awards granted to such Selected Participants shall be clawed back and shall lapse accordingly on the date as determined by the Board (if such Share Awards are unvested):
 - (a) the Selected Participant has failed to perform duties effectively or is involved in serious misconduct or malfeasance;
 - (b) the Selected Participant has contravened the relevant laws and regulations of any applicable jurisdiction or the provisions of the articles of association of any member of the Group, any Related Entity or any Service Provider;

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

- (c) the Selected Participant has, during his/her tenure of office, been involved in acceptance or solicitation of bribery, corruption, theft, leakage of trade and technical secrets, conducted other unlawful acts and misconducts, which prejudiced the interest and reputation of and caused significant negative impact to the image of any member of the Group, any Related Entity or any Service Provider;
 - (d) the Selected Participant has failed to discharge, or failed to discharge properly, his/her duties and thereby resulting in serious loss in assets to any member of the Group, any Related Entity or any Service Provider and other serious and adverse consequences;
 - (e) the Selected Participant has violated the Company's high voltage lines (or similar standards); or
 - (f) the Selected Participant has failed to comply with any non-compete covenants or restrictive covenants or any terms and conditions of a similar effect.
- (ii) Where an Share Award granted to a Selected Participant has been vested at the time when such Share Award is clawed back, the Selected Participant shall return, by the Board's determination at its sole and absolute discretion, either (i) the exact number of vested and clawed back Share(s), (ii) the monetary amount equivalent to the value of the relevant Share(s) on the date of grant, (iii) the monetary amount equivalent to the value of the relevant Share(s) on the date of vesting or (iv) the monetary amount equivalent to the value of the relevant Share(s) on the date of such clawback.
- (iii) Where an Share Award granted to a Selected Participant is unvested at the time when such Share Award is clawed back, such Share Award shall lapse on the date as determined by the Board.

12. RESTRICTIONS AND LIMITATIONS

- (i) A Share Award shall be personal to the Selected Participant and shall neither be assignable nor transferable, unless a waiver by the Stock Exchange has been granted and Board approval has been obtained.

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

- (ii) No Share Award may be granted to any Selected Participant, no Shares may be issued or allotted under the 2024 Share Award Scheme and no instructions to acquire any Shares may be given to the trustee where dealings in the Shares are prohibited under the GEM Listing Rules and all applicable laws from time to time. Without limiting the generality of the foregoing, no such instruction is to be given and no such grant is to be made:
- (a) where the Company has information that must be disclosed under Rule 17.10(1) of the GEM Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under part XIVA of the SFO, until (and including) the trading date after such inside information has been published on the websites of the Stock Exchange and the Company;
 - (b) after any inside information in relation to the securities of the Company has occurred or has become the subject of a decision, until such inside information has been published;
 - (c) within the period commencing one month immediately preceding the earlier of
 - (i) the date of a meeting of the Board (as such date is first notified to the Stock Exchange) for the approval of the Company's results for any year, half-year, or other interim period (whether or not required under the GEM Listing Rules); and
 - (ii) the deadline for the Company to publish its quarterly, interim or annual results announcement for any such period, and ending on the date of such announcement; or
 - (d) in any other circumstances where dealings by Selected Participant (including Directors) are prohibited under the GEM Listing Rules, the SFO or any other applicable laws or regulations or where the requisite approval from any applicable regulatory authorities has not been granted.
- (iii) No Share Award of new Shares may be made or announced, and no issue or allotment of Shares pursuant to the 2024 Share Award Scheme may be made for a period of 30 days after any purchase by the Company of Shares, whether on the Stock Exchange or otherwise, unless with the prior approval of the Stock Exchange.

13. VESTING CONDITION

The vesting of the Share Awards is subject to the Selected Participant remaining at all times after the date of grant and on the date of vesting as an Eligible Person.

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

A Selected Participant ceases to be an Eligible Person if:

- (i) the Selected Participant's service or employment with the Group has been terminated by any member of the Group, any Related Entity or any Service Provider for cause, and "cause" means:
 - (a) dishonesty or serious misconduct, whether or not in connection with his/her employment; willful disobedience or non-compliance with the terms of his/her employment or service contract with any member of the Group, any Related Entity, any Service Provider or any lawful orders or instructions given by any member of the Group, any Related Entity or any Service Provider as the case may be;
 - (b) incompetence or negligence in the performance of his/her duties; or
 - (c) doing anything in the conclusive opinion of the Board adversely affects his/her ability to perform his/her duties properly or brings the Company or the Group, any Related Entity or any Service Provider into disrepute;
- (ii) the Selected Participant has been summarily dismissed by any member of the Group, any Related Entity or any Service Provider;
- (iii) the Selected Participant has been convicted for any criminal offence involving his/her integrity or honesty; or
- (iv) the Selected Participant has been charged, convicted or held liable for any offence under the relevant securities laws in Hong Kong or any other applicable laws or regulations in force from time to time.

If the Selected Participant's employment or service is terminated for any reason other than for the reasons provided above ("**Good Leaver**"), any unvested Share Award in respect of such Good Leaver will automatically lapse with effect from the date on which the Good Leaver's employment or service is terminated. The Board may, at its absolute discretion, decide that any portion of the unvested Share Awards shall continue to vest in accordance with the original vesting schedule.

14. PURCHASE PRICE OF SHARE AWARD

The purchase price of the Award Shares (if any) shall be such price as determined by the Board, the committee of the Board, or person(s) to which the Board has delegated its authority from time to time based on considerations such as the prevailing closing price of the Shares, the purpose of the Share Award and the characteristics and profile of the Selected Participants.

Acceptance price of Award Shares may be payable on the acceptance of such Share Award.

15. RIGHTS UPON CHANGE IN CONTROL

If an event of change in control of the Company occurs, whether by way of offer, merger, scheme of arrangement or otherwise is made to all Shareholders, unless the Board determines otherwise, all the Shares granted immediately vest on the date when such change of control event becomes or is declared unconditional. For the purpose of this provision, “change in control” means any person becoming the direct or indirect beneficial owner of more than 51% of the total voting rights in the entire Shares issued by the Company at any time.

16. LAPSE OF SHARE AWARD

In the event that prior to or on the date of vesting in respect of a Selected Participant, (i) the relevant Selected Participant ceases to be an Eligible Person, or (ii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company, the Share Award will automatically lapse, and the Shares to satisfy such Share Award will not be counted for the purpose of the Scheme Mandate Limit (Share Award).

17. REORGANISATION OF CAPITAL STRUCTURE AND DISTRIBUTION OF COMPANY’S ASSETS

In the event of (i) any alteration in the capital structure of the Company such as capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange, or (ii) any distribution of the Company’s capital assets to the Shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to the Shareholders, the Board shall determine and make alterations (if any) to the number of Shares to be granted subject to the Share Award so far as unvested. Any such alterations shall be subject to a written confirmation from an independent financial adviser or the Company’s auditors, to have given the Selected Participants the same proportion (or rights in respect of the same proportion) of the equity capital value as that to which that person was previously entitled, provided that no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

18. ALTERATION AND TERMINATION

Any alterations to the terms and conditions of the 2024 Share Award Scheme which are of a material nature or any alterations to the provisions relating to the matters contained in rule 23.03 of the GEM Listing Rules to the advantage of Grantees or prospective Grantees must be approved by Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any Share Awards granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the articles of association for the time being of the Company for a variation of the rights attached to the Shares.

APPENDIX II PRINCIPAL TERMS OF THE 2024 SHARE AWARD SCHEME

Any change to the terms of Share Awards granted to a Grantee must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the Share Awards was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the 2024 Share Award Scheme.

The Board may at any time terminate the operation of the 2024 Share Award Scheme and in such event, unless the Board determines otherwise, no further Share Awards will be granted but in all other respects the provisions of the 2024 Share Award Scheme shall remain in full force and effect. Share Awards granted prior to such termination shall continue to be valid and exercisable in accordance with the 2024 Share Award Scheme.

19. RANKING OF SHARES

Shares issued upon vesting of a Share Award will rank *pari passu* with the other Shares in issue on the date the relevant Shares are transferred to the Selected Participant except in respect of any dividend or other distribution previously declared or recommended or resolved to be paid if the record date therefor is before the date of vesting of the Share Award.

20. PERIOD OF THE SCHEME

The 2024 Share Award Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, unless terminated earlier as determined by the Board.

21. CANCELLATION

A Share Award that has not been vested may be cancelled by the Board with the consent of the relevant Selected Participant. For the avoidance of doubt, where the Company cancels Share Awards granted to a Selected Participant and makes a new grant to the same Selected Participant, such new grant may only be made with available Scheme Mandate Limit, and that Share Awards cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

NOTICE OF THE EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of CHYY Development Group Limited (the “**Company**”) will be held at 8/F., Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong on Friday, 7 June 2024 at 11:30 a.m. (immediately following the conclusion of the annual general meeting of the Company which is scheduled to be held at 11:00 a.m. on the same date), for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as an ordinary resolution. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 23 May 2024 in relation to the EGM (the “**Circular**”).

ORDINARY RESOLUTION

1. “**THAT:**

- (a) conditional upon the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares which may fall to be issued and allotted pursuant to the exercise of any options that may be granted under the 2024 share option scheme of the Company (the rules of which are contained in the document marked “A” produced to this meeting and signed by the chairman of this meeting for the purpose of identification) (the “**2024 Share Option Scheme**”), the 2024 Share Option Scheme be and is hereby approved and adopted and that any director of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the 2024 Share Option Scheme including without limitation:
 - (i) to administer the 2024 Share Option Scheme under which options will be granted to eligible persons under the 2024 Share Option Scheme to subscribe for Shares;
 - (ii) to modify and/or amend the 2024 Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the 2024 Share Option Scheme relating to modification and/or amendment and subject to Chapter 23 of the GEM Listing Rules;

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- (iii) to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the 2024 Share Option Scheme and subject to the GEM Listing Rules;
 - (iv) to make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares which may thereafter from time to time be issued and allotted pursuant to the exercise of the options under the 2024 Share Option Scheme; and
 - (v) to consent, if they deem fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the 2024 Share Option Scheme; and
 - (b) the total number of Shares which may be issued in respect of (i) all Share Options and/or Share Awards; and (ii) all share options and all share awards to be granted under any Other Schemes of the Company must not in aggregate exceed 10% (or such other percentage which may be specified by the Stock Exchange from time to time) of the total number of Shares in issue as at the Adoption Date or the relevant date of approval of the refreshment of the Mandate Limit.”
2. **“THAT:**
- (a) conditional upon the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares which may fall to be issued and allotted pursuant to any awards that may be granted under the 2024 share award scheme of the Company (the rules of which are contained in the document marked “B” produced to this meeting and signed by the chairman of this meeting for the purpose of identification) (the “**2024 Share Award Scheme**”), the 2024 Share Award Scheme be and is hereby approved and adopted and that any director of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the 2024 Share Award Scheme including without limitation:
 - (i) to administer the 2024 Share Award Scheme under which awards will be granted to eligible persons under the 2024 Share Award Scheme to subscribe for Shares;
 - (ii) to modify and/or amend the 2024 Share Award Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the 2024 Share Award Scheme relating to modification and/or amendment and subject to Chapter 24 of the GEM Listing Rules;

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- (iii) to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the awards under the 2024 Share Award Scheme and subject to the GEM Listing Rules;
 - (iv) to make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in any Shares which may thereafter from time to time be issued and allotted pursuant to the awards under the 2024 Share Award Scheme; and
 - (v) to consent, if they deem fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the 2024 Share Award Scheme; and
- (b) the total number of Shares which may be issued in respect of (i) all Share Options and/or Share Awards; and (ii) all share options and all share awards to be granted under any Other Schemes of the Company must not in aggregate exceed 10% (or such other percentage which may be specified by the Stock Exchange from time to time) of the total number of Shares in issue as at the Adoption Date or the relevant date of approval of the refreshment of the Mandate Limit.”
3. “**THAT** the Service Provider Sublimit (Share Option and Share Award) as defined in the Circular (being 1% of the total number of Shares in issue as at the date of adoption of the 2024 Share Schemes) be and is hereby approved and adopted and that any director of the Company be and is hereby authorised to take all such steps and attend all such matters, approve and execute (whether under hand or under seal) such documents and do such other things, for and on behalf of the Company, as he/she may consider necessary, desirable or expedient to effect and implement the Service Provider Sublimit (Share Option and Share Award).”

Resolutions 1 and 3 as set out in this notice are inter-conditional upon each other. In the event that any of Resolutions 1 and 3 is not passed, both of Resolutions 1 and 3 will not take effect. Resolutions 2 and 3 as set out in this notice are inter-conditional upon each other. In the event that any of Resolutions 2 and 3 is not passed, both of Resolutions 2 and 3 will not take effect.

On behalf of the Board
CHYY Development Group Limited
Mr. Xu Shengheng
Chairman

Hong Kong, 23 May 2024

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Notes:

1. All the resolutions set out in this Notice shall be decided by poll.
2. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one, or if he/she/it is a shareholder of more than one Share, more than one proxies to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company. If more than one proxies is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him/her/it.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a Share, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting personally or by proxy, the one of such joint holders so present whose name stands first on the Register of Members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
5. In the case of an appointment of corporate representative by a corporate shareholder (other than a shareholder which is a Clearing House (as defined in the Company's articles of association) (or its nominee(s))), a copy of the resolution of its directors or other governing body of the shareholder authorising the appointment of the corporate representative or a form of notice of appointment of corporate representative issued by the Company for such purpose or a copy of the relevant power of attorney, together with an up-to-date copy of the shareholder's constitutive documents and a list of directors or members of the governing body of the shareholder as at the date of such resolution, or, as the case may be, power of attorney, in each case certified by a director, secretary or a member of the governing body of that shareholder and notarised, must be deposited at the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the meeting or the adjourned meeting (as the case may be).
6. References to time and dates in this notice are to Hong Kong time and dates.
7. As at the date of this notice, the executive Directors are Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine, Mr. Dai Qi and Mr. Zhang Wei; the non-executive Directors are Mr. Liao Yuan, Mr. Zhang Yiying and Ms. Liu Ening; and the independent non-executive Directors are Mr. Wu Qiang, Mr. Guan Chenghua and Mr. Zhang Honghai.