



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

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

## **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024**

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

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

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

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

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

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

## FINAL RESULTS

The board of directors (“Directors”) of CHYY Development Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2024 (“the Year”), together with the comparative figures for the year ended 31 December 2023 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
REVENUE	4	69,629	67,860
Cost of sales		(56,912)	(58,601)
Gross profit		12,717	9,259
Other income and gains	4	26,626	16,816
Selling and distribution expenses		(2,957)	(2,713)
Administrative expenses		(39,566)	(52,758)
Reversal of impairment losses under expected credit loss model on trade receivables, net		9,732	2,378
Impairment losses under expected credit loss model on other receivables and deposits, net		(7,120)	(1,897)
Reversal of impairment losses under expected credit loss model on contract assets, net		21,183	41,599
Finance costs	5	(3,544)	(4,175)
Fair value changes on investment properties		(548)	(1,499)
Other expenses and losses		(97)	(3,612)
Share of results of:			
A joint venture		(3,434)	2,647
Associates		(2,051)	1,046
PROFIT BEFORE TAX	6	10,941	7,091
Income tax credit (expense)	7	352	(2,369)
PROFIT FOR THE YEAR		11,293	4,722
Profit (loss) for the year attributable to:			
Owners of the Company		10,759	9,475
Non-controlling interests		534	(4,753)
		11,293	4,722
EARNINGS PER SHARE	9		
Basic and diluted (expressed in HK cents)		0.24	0.21

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>11,293</u>	<u>4,722</u>
OTHER COMPREHENSIVE INCOME (EXPENSE)		
Other comprehensive income (expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translation of foreign operations	5,420	(802)
Share of other comprehensive expense of a joint venture	(79)	(34)
Share of other comprehensive expense of associates	(497)	(271)
Release of exchange fluctuation reserve upon deregistration of subsidiaries	1,410	–
Release of exchange fluctuation reserve upon partial disposal of an associate	–	569
Net other comprehensive income (expense) that may be reclassified to profit or loss in subsequent periods	<u>6,254</u>	<u>(538)</u>
Other comprehensive income (expense) that will not be reclassified to profit or loss in subsequent periods:		
Gain (loss) on property revaluation	2,507	(9,630)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	93	(875)
Income tax effect	(23)	219
	<u>70</u>	<u>(656)</u>
Net other comprehensive income (expense) that will not be reclassified to profit or loss in subsequent periods	<u>2,577</u>	<u>(10,286)</u>
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR, NET OF TAX	<u>8,831</u>	<u>(10,824)</u>
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR	<u>20,124</u>	<u>(6,102)</u>
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	17,077	(891)
Non-controlling interests	3,047	(5,211)
	<u>20,124</u>	<u>(6,102)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		139,896	146,609
Investment properties		120,518	123,703
Right-of-use assets		1,102	692
Investment in a joint venture		393	3,906
Investments in associates		25,654	28,202
Equity investments designated at fair value through other comprehensive income		54,661	55,761
Trade receivables	10	55,332	65,946
Deposit paid for acquisition of investment properties		1,425	1,593
Total non-current assets		<u>398,981</u>	<u>426,412</u>
<b>CURRENT ASSETS</b>			
Inventories		14,067	13,633
Properties held for sale		291,984	299,026
Trade receivables	10	11,881	7,090
Prepayments, other receivables and deposits		53,558	83,694
Contract assets	11	28,849	35,765
Equity investments designated at fair value through other comprehensive income		–	261,530
Financial assets at fair value through profit or loss		4,895	3,795
Restricted cash		–	3,712
Time deposits		–	689
Cash and cash equivalents		52,586	69,553
Total current assets		<u>457,820</u>	<u>778,487</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	139,369	157,241
Other payables and accruals		102,041	415,025
Contract liabilities	11	36,307	38,453
Amounts due to associates		17,649	18,035
Amount due to a joint venture		–	220
Amounts due to related companies		27,677	31,203
Lease liabilities		9,893	6,455
Tax payables		135,052	141,163
Total current liabilities		<u>467,988</u>	<u>807,795</u>
<b>NET CURRENT LIABILITIES</b>		<u>(10,168)</u>	<u>(29,308)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>388,813</u>	<u>397,104</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***31 December 2024*

	<b>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>56,493</b>	66,639
Deferred income	<b>6,479</b>	8,828
Deferred tax liabilities	<b>41,741</b>	43,047
	<hr/>	<hr/>
Total non-current liabilities	<b>104,713</b>	118,514
	<hr/>	<hr/>
Net assets	<b>284,100</b>	278,590
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>353,043</b>	353,043
Shares held for Share Award Scheme	<b>(8,169)</b>	(8,169)
Treasury shares	<b>(959)</b>	–
Other reserves	<b>(77,873)</b>	(94,950)
	<hr/>	<hr/>
	<b>266,042</b>	249,924
	<hr/>	<hr/>
Non-controlling interests	<b>18,058</b>	28,666
	<hr/>	<hr/>
Total equity	<b>284,100</b>	278,590
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 1. CORPORATE AND GROUP INFORMATION

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

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

- Provision, installation and maintenance of shallow geothermal energy utilisation systems
- Trading of air conditioning/shallow geothermal heat pump products
- Investment in properties for their potential rental income
- Holding investment for medium to long-term strategic purposes and trading of securities and other types of investments

## 2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material of such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include the applicable disclosure required by the Rules Governing the Listing of Securities on GEM on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revalued amounts or at fair value at the end of each reporting period, as explained in the accounting policies set out below.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to the nearest thousand except when otherwise indicated.

The directors of the Company have reviewed the Group’s cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2024 on a going concern basis.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non current and related amendments to Hong Kong Interpretation 5 (2020)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

### New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments<sup>3</sup></i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup></i>
Amendments to HKFRS Accounting Standards	<i>Annual Improvements to HKFRS Accounting Standards – Volume 1F<sup>3</sup></i>
Amendments to HKAS 21	<i>Lack of Exchangeability<sup>2</sup></i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referring Nature – dependent Electricity<sup>3</sup></i>
HKFRS 18	<i>Presentation and Disclosure in Financial Statements<sup>4</sup></i>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.

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

### ***HKFRS 18 Presentation and Disclosure in Financial Statements***

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRSs, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Shares* are also made.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

### New and amendments to HKFRSs in issue but not yet effective (Continued)

#### *HKFRS 18 Presentation and Disclosure in Financial Statements (Continued)*

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in future financial statements. The Group is in process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

## 3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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



### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2024	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>					
Sales to external customers	62,918	709	6,002	–	69,629
Intersegment sales	–	–	5,979	–	5,979
	62,918	709	11,981	–	75,608
<i>Reconciliation:</i>					
Elimination of intersegment sales					(5,979)
Revenue					69,629
<b>Segment results</b>	3,283	(3,412)	7,614	87	7,572
<i>Reconciliation:</i>					
Share of results of a joint venture					(3,434)
Share of results of associates					(2,051)
Unallocated other income					25,150
Unallocated finance costs					(397)
Corporate and other unallocated expenses					(15,899)
Profit before tax					10,941
<b>Segment assets</b>	292,288	6	480,181	60,019	832,494
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(54,326)
Corporate and other unallocated assets					78,633
Total assets					856,801
<b>Segment liabilities</b>	304,102	–	89,650	11,156	404,908
<i>Reconciliation:</i>					
Elimination of intersegment payables					(54,326)
Corporate and other unallocated liabilities					222,119
Total liabilities					572,701

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2024	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Other segment information:</b>					
Amounts included in the measure of segment profit or loss or segment assets:					
Depreciation of property, plant and equipment	6,413	–	24	–	6,437
Depreciation of right-of-use assets	829	–	–	–	829
Reversal of impairment losses under expected credit loss model on trade receivables, net	(6,166)	–	(3,566)	–	(9,732)
Impairment losses under expected credit loss model on other receivables and deposits, net	7,120	–	–	–	7,120
Reversal of impairment losses under expected credit loss model on contract assets, net	(21,283)	–	–	–	(21,183)
Impairment losses on properties held for sale	–	–	658	–	658
	<u>–</u>	<u>–</u>	<u>658</u>	<u>–</u>	<u>658</u>

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2023	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>					
Sales to external customers	61,198	1,014	5,648	–	67,860
Intersegment sales	–	1,385	894	–	2,279
	<u>61,198</u>	<u>2,399</u>	<u>6,542</u>	<u>–</u>	<u>70,139</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(2,279)</u>
Revenue					<u><u>67,860</u></u>
<b>Segment results</b>	24,902	(2,584)	(4,868)	(289)	17,161
<i>Reconciliation:</i>					
Share of results of a joint venture					2,647
Share of results of associates					1,046
Unallocated other income					10,924
Unallocated finance costs					(347)
Corporate and other unallocated expenses					<u>(24,340)</u>
Profit before tax					<u><u>7,091</u></u>
<b>Segment assets</b>	572,367	38,028	487,867	321,544	1,419,806
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(322,509)
Corporate and other unallocated assets					<u>107,602</u>
Total assets					<u><u>1,204,899</u></u>
<b>Segment liabilities</b>	625,855	39,402	339,407	10,486	1,015,150
<i>Reconciliation:</i>					
Elimination of intersegment payables					(322,509)
Corporate and other unallocated liabilities					<u>233,668</u>
Total liabilities					<u><u>926,309</u></u>

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2023	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Other segment information:</b>					
Amounts included in the measure of segment profit or loss or segment assets:					
Depreciation of property, plant and equipment	5,983	864	10	24	6,881
Depreciation of right-of-use assets	821	–	–	–	821
(Reversal of impairment losses) impairment losses under expected credit loss model on trade receivables, net	(3,571)	–	1,193	–	(2,378)
Impairment losses under expected credit loss model on other receivables and deposits, net	1,645	–	252	–	1,897
Reversal of impairment losses under expected credit loss model on contract assets, net	(41,599)	–	–	–	(41,599)
Impairment losses on properties held for sale	–	–	600	–	600

#### Geographical information

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

#### Information about major customers

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

	<b>2024</b> <b><i>HK\$'000</i></b>	2023 <i>HK\$'000</i>
Customer A	N/A *	7,130
Total revenue	<b>69,629</b>	67,860
Proportion of revenue	<b>N/A</b>	10.5%

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

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>	63,627	62,212
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	6,002	5,648
	<u>69,629</u>	<u>67,860</u>

#### Revenue from contracts with customers

##### (a) *Disaggregated revenue information*

For the year ended 31 December 2024

	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or services:</b>			
Sale of industrial products	–	709	709
Construction services	62,918	–	62,918
	<u>62,918</u>	<u>709</u>	<u>63,627</u>
Total revenue from contracts with customers	<u>62,918</u>	<u>709</u>	<u>63,627</u>
<b>Timing of revenue recognition:</b>			
Goods transferred at a point in time	–	709	709
Services transferred over time	62,918	–	62,918
	<u>62,918</u>	<u>709</u>	<u>63,627</u>
Total revenue from contracts with customers	<u>62,918</u>	<u>709</u>	<u>63,627</u>

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

##### Revenue from contracts with customers (Continued)

##### (a) Disaggregated revenue information (Continued)

For the year ended 31 December 2023

	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or services:</b>			
Sale of industrial products	–	1,014	1,014
Construction services	61,198	–	61,198
Total revenue from contracts with customers	<u>61,198</u>	<u>1,014</u>	<u>62,212</u>
<b>Timing of revenue recognition:</b>			
Goods transferred at a point in time	–	1,014	1,014
Services transferred over time	61,198	–	61,198
Total revenue from contracts with customers	<u>61,198</u>	<u>1,014</u>	<u>62,212</u>
		<b>2024</b> <i>HK\$'000</i>	<b>2023</b> <i>HK\$'000</i>
<b>Other income</b>			
Interest income		3,302	4,876
Sale of scrap materials		219	268
Government grants ( <i>note i</i> )		1,107	1,085
Dividend income from equity investments designated at fair value through other comprehensive income		2,512	1,298
Income from exempted payables ( <i>note ii</i> )		12,386	7,928
Others		865	423
		<u>20,391</u>	<u>15,878</u>
<b>Other gains</b>			
Gain on deregistration of subsidiaries, net		4,758	–
Gain on partial disposal of an associate		–	938
Fair value gain on financial assets at fair value through profit or loss		1,477	–
		<u>6,235</u>	<u>938</u>
		<u>26,626</u>	<u>16,816</u>

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

##### Revenue from contracts with customers (Continued)

##### (a) Disaggregated revenue information (Continued)

Notes:

- (i) Government grants have been received in respect of certain heating projects of the Group. There are no unfulfilled conditions or contingencies relating to these grants.
- (ii) In previous year, the Group has undergone certain litigation proceedings with its subcontractors in regard of the unsettled construction costs. During the years ended 31 December 2024 and 2023, the litigation was finalised and resulted in releasing the provision previously made by the Group to profit or loss.

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on other borrowing	397	727
Interest on lease liabilities	3,147	3,448
	<u>3,544</u>	<u>4,175</u>

#### 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories sold	287	1,812
Cost of services provided	56,625	56,789
Depreciation of property, plant and equipment	6,437	6,881
Depreciation of right-of-use assets	829	821
Research and development costs	822	1,931
Short term lease payments	–	8
Auditor's remuneration	1,664	1,665
Employee benefit expense (including directors' and chief executives' remuneration):		
Wages and salaries	26,533	32,692
Pension scheme contributions	2,382	3,660
	<u>28,915</u>	<u>36,352</u>
Impairment losses on properties held for sale	658	600
Impairment losses/write off of inventories*	–	619
Impairment losses on property, plant and equipment	–	3,519
Fair value loss on financial assets at fair value through profit or loss*	–	289
Loss on disposal of property, plant and equipment*	–	772

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

## 7. INCOME TAX (CREDIT) EXPENSE

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group was not subject to any income tax in the Cayman Islands and the BVI during both years.

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

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

Pursuant to the income tax rules and regulations of the PRC, certain subsidiaries were recognised as high and new technology enterprises and the income tax rate applicable to these subsidiaries was 15% for the year ended 31 December 2024 (2023: 15%).

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Current – PRC Enterprise Income Tax	(51)	3,801
Deferred taxation	(301)	(1,432)
	<u>                    </u>	<u>                    </u>
Income tax (credit) expense for the year	<u>                    </u> <b>(352)</b>	<u>                    </u> <b>2,369</b>

## 8. DIVIDENDS

During the years ended 31 December 2024 and 2023, no final dividend was declared and paid to the shareholders of the Company.

Subsequent to the end of the reporting period, no final dividend in respect of the year ended 31 December 2024 has been proposed by the directors of the Company (2023: nil).

## 9. EARNINGS PER SHARE

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

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Profit attributable to owners of the Company	<u>                    </u> <b>10,759</b>	<u>                    </u> <b>9,475</b>
	<u>                    </u>	<u>                    </u>
	<b>Number of shares</b>	
	<b>2024</b>	<b>2023</b>
	<b>’000</b>	<b>’000</b>
Shares		
Weighted average number of ordinary shares (excluding treasury shares) used in the basic and diluted earnings per share calculations	<u>                    </u> <b>4,523,200</b>	<u>                    </u> <b>4,526,925</b>

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 4,523,200,048 (2023: approximately 4,526,925,163) in issue (excluding treasury shares) during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.



## 10. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	157,544	169,196
Less: Impairment loss allowance	<u>(152,733)</u>	<u>(166,062)</u>
Trade receivables, net	4,811	3,134
Finance lease receivables	62,402	69,902
Less: Non-current portion (net of impairment loss allowance)	<u>(55,332)</u>	<u>(65,946)</u>
Current portion	<u><u>11,881</u></u>	<u><u>7,090</u></u>

In previous year, the Group entered into an arrangement to sublease a leased asset to a third party while the original lease contract is in effect, the Group is an intermediate lessor, this sublease is classified as a finance lease. The Group derecognised the right-of-use asset on the head lease and recognised net investment included as finance lease receivables in trade receivables at the commencement date of the sublease arrangement and continued to account for the original lease liability in accordance with the lessee accounting model. At 31 December 2024, the current portion and non-current portion of the respective finance lease receivables amounted to approximately RMB6,547,000 (equivalent to approximately HK\$7,070,000) (2023: approximately RMB3,585,000) (equivalent to approximately HK\$3,956,000) and approximately RMB51,328,000 (equivalent to approximately HK\$55,332,000) (2023: approximately RMB59,761,000) (equivalent to approximately HK\$65,946,000), respectively.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 90 days	3,997	1,140
91 to 180 days	116	493
181 to 365 days	282	969
Over 365 days	<u>416</u>	<u>532</u>
	<u><u>4,811</u></u>	<u><u>3,134</u></u>

## 11. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contract assets arising from:		
Construction services	412,215	446,227
Less: Impairment loss allowance	<u>(383,366)</u>	<u>(410,462)</u>
	<u>28,849</u>	<u>35,765</u>
Contract liabilities arising from:		
Construction services	<u>36,307</u>	<u>38,453</u>

## 12. TRADE PAYABLES

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 90 days	22,968	35,433
91 to 180 days	13,867	16,399
181 to 365 days	17,048	17,320
Over 365 days	<u>85,486</u>	<u>88,089</u>
	<u>139,369</u>	<u>157,241</u>

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

## FINANCIAL HIGHLIGHTS

### Income Allocation

	2024		2023	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
1. Shallow geothermal energy utilisation system				
Including: Supply of renewable energy	–	–	–	–
Engineering construction	<b>25,958</b>	<b>37.28</b>	34,038	50.17
Operation and maintenance	<b>36,960</b>	<b>53.08</b>	27,160	40.02
2. Air conditioning/shallow geothermal heat pump	<b>709</b>	<b>1.02</b>	1,014	1.49
3. Property investment and development	<b>6,002</b>	<b>8.62</b>	5,648	8.32
Total revenue	<b>69,629</b>	<b>100</b>	67,860	100

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<b>69,629</b>	67,860
Gross profit	<b>12,717</b>	9,259
Profit before tax	<b>10,941</b>	7,091
Profit for the year	<b>11,293</b>	4,722
Research and development costs (included in the administrative expenses)	<b>822</b>	1,931
Reversal of impairment losses under expected credit loss model on trade receivables, net	<b>9,732</b>	2,378
Impairment losses under expected credit loss model on other receivables and deposits, net	<b>(7,120)</b>	(1,897)
Reversal of impairment losses under expected credit loss model on contract assets, net	<b>21,183</b>	41,599

### As at 31 December 2024 & 2023

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	<b>457,820</b>	778,487
Total assets	<b>856,801</b>	1,204,899
Net current liabilities	<b>(10,168)</b>	(29,308)
Total equity	<b>284,100</b>	278,590

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the Year, the profit of the Group amounted to approximately HK\$11,293,000 and revenue amounted to HK\$69,629,000 as compared with the profit of the Group amounted to HK\$4,722,000 and revenue amounted to approximately HK\$67,860,000 for the year ended 31 December 2023. For more detailed information, please refer to the consolidated financial statements for the years ended 31 December 2024 and 2023.

### **OPERATIONAL RESULTS**

Total revenue from operations for the Year was approximately HK\$69,629,000 as compared with HK\$67,860,000 for the year ended 31 December 2023, representing an increase of approximately 2.61%. The increase in revenue is mainly due to increased revenue from operation and maintenance projects. During the Year, the Group recorded a net profit of approximately HK\$11,293,000, as compared with a net profit of approximately HK\$4,722,000 for the year ended 31 December 2023. The increase in net profit was mainly due to the increase in gross profit, the decrease in administrative expenses and the reversal of impairment losses under expected credit loss model on trade receivables and contract assets.

### **GROSS PROFIT MARGIN**

Gross profit from the Group's operations for the year ended 31 December 2024 was approximately HK\$12,717,000, represented the gross profit margin of 18.26% (2023: approximately HK\$9,259,000, represented the gross profit margin of 13.64%). The Group's gross profit margin for the Year increased by 33.87% compared with the same period last year.

### **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses for this year increased by approximately HK\$244,000 or 9.0% compared with 31 December 2023. The selling and distribution expenses increased mainly due to the increased in the Group's market expansion costs during the year.

### **ADMINISTRATIVE EXPENSES**

Administrative expenses amounted to approximately HK\$39,566,000 and HK\$52,758,000 for the years ended 31 December 2024 and 2023 respectively, representing a decrease of 25.00%. The decrease in administrative expenses was mainly due to the Group's commitment to continuously carry out compensation reform, strengthen expense control, refine project independent accounting, strengthen the budget assessment system and significantly reduce expenditure.

### **OTHER EXPENSES**

Other expenses for the Year amounted to approximately HK\$97,000 (2023: approximately HK\$3,612,000).

## **SHARE-BASED PAYMENT EXPENSES**

During the year ended 31 December 2024, the Group had not incurred any share-based payment expenses (2023: HK\$962,000).

## **ORDER BOOK**

As at 31 December 2024, the Group had contracts on hand of approximately HK\$70,000,000 (2023: approximately HK\$75,321,000).

## **SEGMENTAL INFORMATION**

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

### **Shallow geothermal energy**

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

### **Air conditioning/shallow geothermal heat pump**

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

### **Properties investment and development**

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

## **Securities investment and trading**

The Group invested the idle fund for trading of securities and other types of investments in order to increase the Group's income.

Further information regarding the Group's operating segments may be referred to note 3 "Operating Segment Information" of this Announcement.

## **PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**

For the Year, the Group recorded a profit attributable to owners of the Company of approximately HK\$10,759,000, representing an increase of approximately HK\$1,284,000 compared to the profit of approximately HK\$9,475,000 for the year ended 31 December 2023.

## **FINANCIAL RESOURCES AND LIQUIDITY**

Net current liabilities of the Group as at 31 December 2024 was approximately HK\$10,168,000 (2023: approximately HK\$29,308,000).

As at 31 December 2024, the Group had cash and cash equivalents of approximately HK\$52,586,000 (2023: approximately HK\$69,553,000). Cash and cash equivalents on the consolidated statement of financial position include funds available for general corporate purposes.

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

## **CHARGES OF GROUP ASSETS**

As at 31 December 2024, the Group had no charges on assets.

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES**

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

As at 31 December 2024, the Group had no foreign exchange contracts.

## **GEARING RATIO**

The gearing ratio of the Group, based on net debt (including lease liabilities, trade payables, financial liabilities included in other payables and accruals, less cash and cash equivalents) to the equity (representing equity attributable to owners of the Company) plus net debt of the Group, was approximately 49.0% as at 31 December 2024 (2023: 55.7%).

## **EMPLOYEES**

As at 31 December 2024, the Group has approximately 193 employees (2023: approximately 218). The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.

## **SHARE SCHEMES**

### **2020 Share Award Scheme**

The 2020 Share Award Scheme was approved and adopted by the Board on 15 January 2020 (the “2020 Adoption Date”), which is funded solely by existing shares to be purchased by the trustee. Bank of Communications Trustee Limited (the “2020 Trustee”) was designated to be the trustee under the Deed of trust executed on 1 April 2020.

The purpose of the 2020 Share Award Scheme is to attract, retain, and incentivize key employees, executive officers, directors and consultants of the Company and its subsidiaries to retain them for the continual operations and development of the Group.

The total number of shares available for grant under the 2020 Share Award Scheme was 98,000,000 shares (“2020 Awarded Shares”), representing approximately 2.18% of the issued shares (excluding treasury shares) of the Company as at the date of this Announcement.

Subject to the effectiveness of the 2020 Share Award Scheme and all applicable laws, the Board may, as its sole direction, select participants (“2020 Selected Participants”) from time to time and determine the number of 2020 Awarded Shares to be awarded to such 2020 Selected Participants, as well as specify the criteria, conditions and periods for the vesting of the 2020 Awarded Shares.

The maximum number of 2020 Awarded Shares which may be awarded to a 2020 Selected Participant shall not exceed 1 per cent (1%) of the total number of issued shares (excluding treasury shares) of the Company as at the 2020 Adoption Date.

Subject to any early termination as may be determined by the Board pursuant to the terms of the 2020 Share Award Scheme, the 2020 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on its 2020 Adoption Date. As at the date of this Announcement, the remaining life of the 2020 Share Award Scheme shall be approximately four years and ten months.

During the year ended 31 December 2024, the Company had not grant any 2020 Awarded Shares under the 2020 Share Award Scheme.

As at 31 December 2024, no unvested 2020 Awarded Shares were held by the 2020 Trustee.

## **2024 Share Option Scheme and 2024 Share Award Scheme**

The 2024 Share Option Scheme and the 2024 Share Award Scheme were approved by the shareholders at the extraordinary general meeting held on 7 June 2024 and subsequently amended by the Board on 28 August 2024. The amendments include: (a) allowing the use of treasury shares to satisfy share grants; and (b) excluding treasury shares in the calculation of issued shares. The 2024 Share Option Scheme and the 2024 Share Award Scheme received conditional listing approval from the Listing Committee of the Stock Exchange on 6 September 2024 (the “2024 Adoption Date”) and has since been formally adopted.

In addition to granting the share awards under the 2024 Share Award Scheme (“2024 Awarded Shares”) by new shares or treasury shares, the 2024 Share Award Scheme may also be funded by existing shares to be purchased by the trustee.

The objectives of the 2024 Share Option Scheme and the 2024 Share Award Scheme are to: (i) recognise the contributions by certain selected participants (“2024 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 2024 Selected Participants to maximise the value of the Company for the benefits of both the 2024 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 2024 Selected Participants directly to the shareholders through ownership of shares.

The participants of the 2024 Share Option Scheme and the 2024 Share Award Scheme comprise: (i) any employee participant; (ii) any director or employee of a related entity; and (iii) any service provider.

The total number of shares available for issue (and, together with treasury shares which may be transferred, as applicable) under the 2024 Share Option Scheme, together with the 2024 Share Award Scheme, was 452,692,516 Shares (“2024 Granted Shares”), representing no more than 10% of the issued shares (excluding treasury shares) as at the 2024 Adoption date. As at 31 December 2024 and the date of this Announcement, the total number of 2024 Granted Shares available under this limit remains 452,692,516 shares, representing approximately 10.05% of the issued shares (excluding treasury shares) as at 31 December 2024 and the date of this Announcement.

The total number of shares available for issue (and, together with treasury shares which may be transferred, as applicable) to service provider under the 2024 Share Option Scheme, together with the 2024 Share Award Scheme, was 45,269,251 of 2024 Granted Shares, representing no more than 1% of the issued shares (excluding treasury shares) as at the 2024 Adoption date, unless the Company has obtained separate approval by shareholders in general meeting. As at 31 December 2024, the total number of 2024 Granted Shares available under this sub-limit remains 45,269,251 shares, representing approximately 1.00% of the issued shares (excluding treasury shares) as at 31 December 2024.



For any 12-month period up to and including the date of grant of share options under 2024 Share Option Scheme (“2024 Share Options”) and awarded shares under the 2024 Share Award Scheme (“2024 Awarded Shares”), the aggregate number of 2024 Granted Shares issued and to be issued (and, together with treasury shares which may be transferred, as applicable) in respect of all 2024 Share Options and the 2024 Awarded Shares granted to any eligible person under the 2024 Share Option Scheme and the 2024 Share Award Scheme shall not exceed 1% of the issued shares (excluding treasury shares) from time to time, unless such grant is separately approved by the shareholders in general meeting.

The period within which 2024 Share Options may be exercised by the grantee under the 2024 Share Option Scheme shall be as determined by the Board. This period shall commence on the date on which the offer relating to such 2024 Share Options 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 2024 share options (subject to early termination as set out in the 2024 Share Option Scheme).

The vesting period of 2024 Share Options and 2024 Awarded Shares in the form of new shares shall be at least 12 months. However, for the 2024 Share Options and 2024 Awarded Shares granted to employee participants, a shorter vesting period may be applied if 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.

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 (“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.

As the exercise price of 2024 Share Options granted 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 2024 Share Options, which in turn is expected to benefit the Company and the shareholders as a whole.

Unless the Board at their absolute discretion otherwise determine on a case-by-case basis, the 2024 Awarded Shares shall be granted to a 2024 Selected Participants 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 2024 Awarded 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 2024 Share Award Scheme and the characteristics and profile of the 2024 Selected Participants.

Subject to any early termination as may be determined by the Board pursuant to the terms of the 2024 Share Option Scheme and the 2024 Share Award Scheme, the 2024 Share Option Scheme and the 2024 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 2024 Adoption Date. As at the date of this Announcement, the remaining life of the 2024 Share Option Scheme and the 2024 Share Award Scheme shall be approximately nine years and five months.

During the year ended 31 December 2024, the Company had not granted any share options under the 2024 Share Option Scheme. As at 31 December 2024, there were no unexercised, cancelled, or lapsed share options under the 2024 Share Option Scheme.

During the year ended 31 December 2024, the Company had not granted any awarded shares under the 2024 Share Award Scheme. As at 31 December 2024, there were no unvested, cancelled, or lapsed awarded shares under the 2024 Share Award Scheme.

## **CONTINGENT LIABILITIES**

In the ordinary course of business, the Group may from time to time be involved in legal proceedings and litigations. The Group records a liability when the Group believes that it is both probable that a loss has been incurred by the Group and the amount can be reasonably estimated. With respect to the Group's outstanding legal matters, notwithstanding that the outcome of such legal matters is inherently unpredictable and subject to uncertainties, the Group believes that, based on its current knowledge, the amount or range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on the Group's business, financial position, results of operations, or cash flows.

## **DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2024 (2023: Nil).

## **CAPITAL STRUCTURE**

During the Year, the Company repurchased 21,352,000 Shares under the Repurchase Mandate on GEM for an aggregate consideration of HK\$957,392 (excluding transaction costs). Subsequent to 31 December 2024 and up to the date of this Announcement, the Company repurchased 1,064,000 Shares under the Repurchase Mandate on GEM for an aggregate consideration of HK\$47,704 (excluding transaction costs). These Shares are held as treasury shares (as defined under the GEM Listing Rules) of the Company.

As at 31 December 2024, the authorised share capital of the company was US\$160,000,000 divided into 16,000,000,000 ordinary shares of US\$0.01 each and the issued share capital was 4,526,925,163 ordinary shares of US\$0.01 each.

## **CAPITAL COMMITMENT**

The Group did not incur any significant capital commitment as at 31 December 2024 (2023: nil).

## **FUTURE PLANS FOR SUBSTANTIAL INVESTMENTS OF CAPITAL ASSETS**

The Group did not have any future plans for substantial investments of capital asset as at 31 December 2024.

## **MAJOR ACQUISITIONS AND DISPOSALS**

No major acquisitions or disposal transactions during the year.

## **SIGNIFICANT INVESTMENT HELD**

The Company has held 142,990,000 shares, which represents approximately 4.99965% equity interests, in Beijing Life Insurance Co., Ltd., through its wholly owned subsidiary, Ever Source Investment Management Co., Ltd.\* (恒有源投資管理有限公司) ("Ever Source Investment"), at a consideration of RMB142,990,000 since 2017. Beijing Life Insurance Co., Ltd. is mainly engaged in ordinary insurance including life insurance and annuity insurance, health insurance, accidental injury insurance, dividend insurance, universal insurance, the reinsurance business of the above mentioned businesses, fund application businesses as permitted by national laws and regulations and other businesses as approved by China Banking and Insurance Regulatory Commission. Details have been disclosed in the announcement of the Company dated 13 November 2020.

On 13 November 2020, Ever Source Investment entered into equity transfer agreement and subsequently supplemented by a supplemental agreement to sell 4.99965% equity interests in Beijing Life Insurance Co. Ltd. ("Target Equity") to Shanghai Gangze Trading Company Limited\* (上海港澤貿易有限公司) ("Shanghai Guangze") for a cash consideration of RMB237,000,000. At the extraordinary general meeting held on 19 February 2021, the Shareholders of the Company passed the ordinary resolution in respect of the equity transfer agreement. Details of the disposal can be referred to the Company's circular dated 26 January 2021. As of July 2021, Ever Source Investment has received the consideration of RMB237,000,000, and the transaction was pending only the completion of the shareholder registration change by the transferee, Shanghai Gangze.

In November 2021, Shanghai Gangze filed a lawsuit against Ever Source Investment, primarily requesting the termination of the equity transfer agreement and the return of the equity transfer payment. In January 2022, Shanghai Gangze applied to the court for property preservation measures, freezing the Target Equity and the bank account of Ever Source Investment. In November 2022, the court ruled to dismiss all of Shanghai Gangze's claims.

In December 2022, Shanghai Gangze filed an appeal. In June 2024, the appellate court issued a final judgment, dismissing the appeal and upholding the original judgment. In August 2024, the court lifted all property preservation measures.

As at 31 December 2023, the fair value of Beijing Life Insurance Co., Ltd. was approximately HK\$261,530,000, representing 21.7% of the Group's total assets.

During the Year, the Company did not receive any dividends from Beijing Life Insurance Co., Ltd.

The company has consistently aligned its operations with practical business conditions, monitored industry trends, set investment goals reasonably, and adjusted investment strategies promptly based on the progress of achieving these goals.

As at 31 December 2024, since the legal case is finalised, in accordance to final court ruling, the transaction must confine to be executed in accordance with the contractual terms. Pursuant to the contract, all relevant terms and conditions are completed, and the risks and rewards of the investment in equity interest of Beijing Life Insurance Co., Ltd has already transferred to Shanghai Gangze, with the transfer of title of ownership is under the administrative procedures. Therefore, the management has concluded that the transaction is considered as completed and respective investment in equity interest of Beijing Life Insurance Co., Ltd and the consideration received in other payables are derecognised. No gain or loss is recognised.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in this Announcement, the Group had no material subsequent events which have not been reflected in the financial statement after 31 December 2024 and up to the date of this Announcement.

## **BUSINESS REVIEW AND OUTLOOK**

The Group is dedicated to the research and promotion of shallow geothermal energy (heat) as a substitute for traditional fossil fuels in northern winter heating, with a particular focus on the industrialized development of original technologies. The Company is committed to driving the comprehensive upgrade and transformation of the combustion-based fossil fuel heating industry by utilizing heat pumps to harness the low-temperature thermal energy that is abundant and ubiquitous in nature, thereby achieving efficient, clean, combustion-free, and zero-emission heating for target regions. In the new era, the Group aims to advance the emerging green industry of integrated heating and cooling through shallow geothermal energy applications in northern winters.

Facing challenges such as rapid declines in earlier business scales, the Group has initiated management transformation and adjustments to its business model and organizational structure in 2025. Guided by market demands and the development of core business segments, these efforts focus on regionally scaled promotion while ensuring project independent accounting. Key initiatives include:

1. Enhancing public awareness of renewable shallow geothermal energy as a heating alternative and energy-saving cooling technology;
2. Ensuring rational design, reliable construction quality, and operational safeguards for integrated heating and cooling systems;
3. Strengthening corporate standard development and execution;
4. Refining performance incentives and transparency to ensure fairness.

To bolster sales and market expansion capabilities, the Group has restructured its organizational framework by establishing regional development centers, accelerating regional partnerships, building agency networks, and refining tiered pricing systems for agents. These measures aim to improve operational efficiency, budget execution, and overall corporate performance to ensure continued profitability in the coming year.

The year 2024 marked a critical turning point for the Group. Despite challenges such as financial pressure, cost reduction, and intensified collection efforts, revenue saw a slight year-on-year increase, accompanied by a significant rise in profitability, reflecting positive improvements in the company's operational health.

Key drivers for the revenue growth and enhanced profitability during the Reporting period include:

1. Strict implementation of project independent accounting, leading to improved gross margins;
2. Strengthened collection of overdue payments and cost controls, resulting in reduced receivables, contract asset reversals, and lower administrative expenses.

Our vision: To adapt to local conditions and use innovative, rigorous techniques for shallow geothermal (heat) extraction that ensure groundwater quality, enabling industrialized development. This aims to make shallow geothermal (heat) a green alternative energy source for winter heating, further optimizing the scientific and rational utilization of heating energy based on the principle of “temperature compatibility, energy grade equivalence”.

## **CORPORATE GOVERNANCE**

The Company has adopted the code provisions set out in Part 2 of the Corporate Governance Code (the “Code”) as set forth in Appendix C1 of the GEM Listing Rules. During the Year, the Company has complied with the Code except for the deviations which are explained as follows:–

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

Mr. Liao Yuan, the non-executive Director, did not attend the annual general meeting and the extraordinary general meeting held on 7 June 2024 due to his engagement in other business.

## **NON-COMPLIANCE WITH RULE 5.05A OF THE GEM LISTING RULES DURING THE REPORTING PERIOD**

Upon the appointment of Mr. Zhang Wei as an executive director on 28 March 2024, the Company failed to comply with the minimum number of independent non-executive directors as required under Rule 5.05A of the GEM Listing Rules.

Upon Ms. Chan Wai Kay Katherine retired by rotation as an executive Director at the conclusion of the AGM of the Company held on 7 June 2024, the Company has re-complied with the requirement of the minimum number of independent non-executive directors prescribed under the Rule 5.05A of the GEM Listing Rules.

## **COMPETITION AND CONFLICT OF INTERESTS**

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

## **AUDIT COMMITTEE**

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

The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. Zhang Honghai (the chairman of the Audit Committee), Mr. Wu Qiang and Mr. Guan Chenghua. The Audit Committee has reviewed the Group’s audited final results for the year ended 31 December 2024 and has provided advice and comments thereon. The Audit Committee held three meetings during the Year.

## **SCOPE OF WORK OF CL PARTNERS CPA LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group’s auditor, CL Partners CPA Limited, to the amounts set out in the draft consolidated financial statements of the Group for the year as approved by the Board of Directors on 26 March 2025. The work performed by CL Partners CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CL Partners CPA Limited on the preliminary announcement.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has not adopted its own code of conduct regarding securities transactions by directors, but having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard of dealings as set out in Rules 5.48 to 5.68 of the GEM Listing Rules during the Reporting Period.

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

### Repurchase Mandate

The Directors have been granted the general mandate (the “Repurchase Mandate”) pursuant to the resolutions of the Shareholders passed on 7 June 2024, to repurchase Shares in the open market from time to time. Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 10% of the total number of the issued Shares (excluding any treasury Shares) on the date of passing such resolution.

### Share Repurchase

During the year ended 31 December 2024, the Company repurchased 21,352,000 Shares under the Repurchase Mandate on GEM for an aggregate consideration of HK\$957,392 (excluding transaction costs). Subsequent to 31 December 2024 and up to the date of this Announcement, the Company repurchased 1,064,000 Shares under the Repurchase Mandate on GEM for an aggregate consideration of HK\$47,704 (excluding transaction costs). These Shares are held as treasury shares (as defined under the GEM Listing Rules) of the Company, details as below:

Repurchase period	No. of Shares repurchased	Purchase price per Share		Aggregate consideration paid (HK\$)
		Highest price paid (HK\$/Share)	Lowest price paid (HK\$/Share)	
<i>During the year ended 31 December 2024</i>				
October 2024	13,146,000	0.045	0.039	600,496
November 2024	6,416,000	0.045	0.043	288,496
December 2024	1,520,000	0.045	0.045	68,400
<b>Total</b>	<b>21,352,000</b>	<b>-</b>	<b>-</b>	<b>957,392</b>
<i>Subsequent to 31 December 2024 and up to the date of this Announcement</i>				
January 2025	1,064,000	0.045	0.044	47,704
<b>Total</b>	<b>1,064,000</b>	<b>-</b>	<b>-</b>	<b>47,704</b>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares) during the Year 2024 and up to the date of this Announcement.

The Board considers that the Share repurchased by the Company and held as treasury shares may provide more flexibility to the Board to resell the treasury shares on the market prices to raise additional funds for the Company, or transfer or use for Share grants under share schemes that comply with Chapter 23 of the GEM Listing Rules and for other purposes permitted under the GEM Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

Save as disclosed above, the Company had no treasury shares (as defined under the GEM Listing Rules) during the Year.

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

Hong Kong, 26 March 2025

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Xu Shengheng and Mr. Dai Qi as executive Directors, Mr. Liao Yuan, Mr. Zhang Yiying and Ms. Liu Ening as non-executive Directors, Mr. Zhang Honghai, Mr. Guan Chenghua and Mr. Wu Qiang as independent non-executive Directors.*