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

2024 ANNUAL REPORT

Technology and Resources Links

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

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

Contents

BOARD OF DIRECTORS

Executive directors

Xu Shengheng *(Joint Chairman)*
Chan Wai Kay Katherine *(Deputy Chairman)*
(Retired by rotation at the conclusion of the AGM held on 7 June 2024)
Dai Qi
Zhang Wei (Appointed on 28 March 2024 and resigned on 21 October 2024)

Non-executive directors

Liao Yuan *(Joint Chairman)*
(Appointed as the Joint Chairman on 28 August 2024)
Liu Ening
Zhang Yiying

Independent non-executive directors

Zhang Honghai
Wu Qiang (Resigned on 28 March 2025)
Guan Chenghua
*Guo Guanglei

REGISTERED OFFICE

P.O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUTHORISED REPRESENTATIVES

Xu Shengheng
Chen Ning (Resigned on 28 August 2024)
Nie Dan (Appointed on 28 August 2024)

COMPLIANCE OFFICER

Xu Shengheng

COMPANY SECRETARY

Chen Ning (Resigned on 28 August 2024)
Nie Dan (Appointed on 28 August 2024)

AUDIT COMMITTEE

Zhang Honghai *(Chairman)*
Wu Qiang (Resigned on 28 March 2025)
Guan Chenghua
*Guo Guanglei

REMUNERATION COMMITTEE

Guan Chenghua *(Chairman)*
Xu Shengheng *(Deputy Chairman)*
Dai Qi *(Deputy Chairman)*
Zhang Honghai
Wu Qiang (Resigned on 28 March 2025)
*Guo Guanglei

NOMINATION COMMITTEE

Guan Chenghua *(Chairman)*
Xu Shengheng *(Deputy Chairman)*
Liao Yuan *(Deputy Chairman)*
Zhang Honghai
Wu Qiang (Resigned on 28 March 2025)
*Guo Guanglei

GROUP DEVELOPMENT STRATEGIC COMMITTEE

Wu Qiang *(Chairman)* (Resigned on 28 March 2025)
*Guo Guanglei *(Chairman)*
Xu Shengheng *(Deputy Chairman)*
Chan Wai Kay Katherine *(Deputy Chairman)*
(Retired by rotation at the conclusion of the AGM held on 7 June 2024)
Liao Yuan *(Deputy Chairman)*
Dai Qi
Zhang Wei (Appointed on 28 March 2024 and resigned on 21 October 2024)
Liu Ening
Zhang Yiying
Zhang Honghai
Guan Chenghua
Sun Ji

* Mr. Guo Guanglei has been appointed as an independent non-executive Director, the member of the Audit Committee, the Remuneration Committee and the Nomination Committee, as well as the chairman of the Group Development Strategic Committee with effect from 28 March 2025.

Corporate Information

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3,
Building D, P.O. Box 1586, Gardenia Court,
Camana Bay, Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

AUDITOR

CL Partners CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors
3203A-5, 32/F, Tower 2, Lippo Centre
Admiralty, Hong Kong

STOCK CODE

8128

COMPANY WEBSITE

www.chyy.com.hk

Chairman's Statement

To our esteemed shareholders,

On behalf of the Board of Directors of CHYY Development Group Limited (the "Company"), we would like to extend our most sincere gratitude to shareholders who have supported and trusted us over the years. In 2024, green and low-carbon development became the main theme. Guided by the mission of "Innovation-driven, Green Development", we seized opportunities amidst challenges and achieved healthy growth. Hereby, we are pleased to present to you the audited full-year results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024 (the "Year").

The Group recorded revenue of approximately HK$69,629,000 during the Year, representing an increase of approximately HK$1,769,000 compared to the same period in 2023. The Group's profit for the Year was approximately HK$11,293,000, showing a significant increase compared to 2023. The slight increase in revenue and significant growth in profitability are mainly attributed to the rise in gross profit, reduction in administrative expenses, and the reversal of contract assets and accounts receivable. This reflects the remarkable results of further strengthening management based on independent project accounting and enhancing efforts in receivables collection.

The development of the Group's winter heating industry in northern regions has gone through four stages: First, with the goal of survival, it explored original innovation from combustion to non-combustion, and efficiently collected geothermal energy in line with local conditions. Second, with environmental protection as the goal and in conjunction with the successful hosting of the Olympic Games in Beijing, it achieved system innovation of geothermal heat pumps. Third, with the goal of clean heating in northern regions, it improved the substitution of fossil energy with geothermal energy and utilized geothermal heat pumps for efficient and clean heating. Fourth, new productive forces have spurred the integration and upgrading of traditional heating and cooling industries into efficient and clean heating with geothermal heat pumps, developing an emerging green industry of integrated heating and cooling. This enables scientific classified utilization with matching temperatures and equivalent energy grades. At a cost equivalent to traditional coal-fired heating, it can ensure the same heating area as traditional methods while reducing energy consumption by 50%.

Looking back on the past year, it was a year of both challenges and opportunities. Facing the complex and volatile economic environment and the intensifying industry competition, the Group adhered to the innovation-driven development strategy, deepened internal management reforms, actively responded to market changes, and achieved stable and sustainable development. First, during the pandemic, it disposed of assets and repaid all the 400 million yuan in loans prepared for development. Second, it completed the preparations for a U-shaped restart of enterprise development. Third, by combining its original and system innovation technologies, it defined proprietary technology products and made the system products complete sets. Fourth, it improved market development and promotion through two parallel approaches: (1) project agents and (2) regional development partners. It provided them with exclusive complete sets of products and systematic technical services for industrial development, positioning the enterprise as a supplier of complete sets of system products for the emerging green industry of efficient and clean heating with geothermal heat pumps and integrated heating and cooling, as well as a service provider of proprietary technologies for substituting fossil energy with geothermal energy in efficient and clean heating with geothermal heat pumps.

Our achievements did not come easily. Every accomplishment embodies the wisdom and hard work of all our colleagues, and is also inseparable from the trust and support of every shareholder and partner.

Both theory and practice have proven that under the goals of environmental protection and "carbon peaking and carbon neutrality", new productive forces promote the development of the emerging industry of integrated heating and cooling. The system construction and operation costs required for this are significantly lower than the sum of the investment and operation costs of independent heating, cooling, and domestic hot water systems using traditional energy. It is now fully possible to achieve non-combustion and zero emissions in heating areas.

Chairman's Statement

An expert seminar on "Geothermal Heat Pump Clean Heating in Winter in Northern Regions and the Emerging Industry of Integrated Heating and Cooling" was held in Dalian on 9 October 2024. The industry experts in attendance engaged in in-depth and comprehensive discussions and exchanges around the theme and reached a broad consensus on vigorously promoting the development of the geothermal heat pump clean heating cause.

Although the prospects for the shallow geothermal energy industry are promising, we are well aware that the road ahead is not without obstacles:

- Policy environment changes: Heating policies vary greatly across different regions. We are strengthening communication with the government and actively participating in the formulation of industry standards to promote the release of policy dividends;
- Intensifying market competition: Facing the transformation pressure of traditional energy enterprises, we take technological innovation as our core competitiveness to maintain our market share;
- Difficulties in technology promotion: The popularization of shallow geothermal energy still faces the challenge of insufficient public awareness. We are gradually increasing market acceptance through science popularization and demonstration projects.

Every challenge is an opportunity for growth. Guided by "long-termism", we attach equal importance to technological innovation and market expansion, laying a solid foundation for future development.

In 2025, as a substitute for heating energy, shallow geothermal energy ushers in unprecedented development opportunities. We will focus on the following three major directions:

- Technological innovation by increasing R & D investment;
- Large-scale expansion of the market for efficient and clean heating with geothermal heat pumps;
- Healthy development of the emerging green industry of integrated heating and cooling, aiming to achieve operational carbon neutrality by 2030 and build a benchmark enterprise for green heating.

We firmly believe that the utilization of shallow geothermal energy is not only an innovation in heating methods but also a microcosm of the energy revolution. In the future, we will continue to use technological innovation as the engine and take green development as our responsibility to create long-term value for shareholders and contribute clean energy solutions to society.

Thank you again for your trust and companionship!

Xu Shengheng, Liao Yuan
Co-Chairmen of the Board

FINANCIAL HIGHLIGHTS

Income Allocation

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

	2024	2023
	HK$'000	*HK$'000*
Revenue	**69,629**	67,860
Gross profit	**12,717**	9,259
Profit/(loss) before tax	**10,941**	7,091
Profit/(loss) for the year	**11,293**	4,722
Research and development costs (included in the administrative expenses)	**822**	1,931
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

As at 31 December 2024 & 2023

	2024	2023
	HK$'000	*HK$'000*
Current assets	**457,820**	778,487
Total assets	**856,801**	1,204,899
Net current liabilities	**(10,168)**	(29,308)
Total equity	**284,100**	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 4 "Operating Segment Information" of this Report.

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 Report.

Management Discussion and Analysis

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.

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 Report, 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 Report, 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 Report.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group is dedicated to the research and promotion of shallow geothermal energy 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.

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, improved cost and expense controls, the recovery of accounts receivable and contract assets, and a reduction in administrative expenses.

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.

EXECUTIVE DIRECTORS

Mr. Xu Shengheng ("Mr. Xu"), aged 62, has been appointed as an executive Director of the Company since 6 February 2009. Mr. Xu is the joint chairman of the Board of Directors of the Group and an executive Director, the deputy chairman of nomination committee, the deputy chairman of remuneration committee, the deputy chairman of group development strategic committee, the compliance officer and an authorised representative of the Company. Mr. Xu holds the title of Senior Engineer and a doctoral degree of Geological Engineering from the China University of Geosciences (Beijing) and a Master degree of Business Administration in International EMBA from Hong Kong University of Science and Technology. Mr. Xu has long been engaged in the field of heating provision and is committed to the preferred shallow geothermal energy as an alternative energy source for northern heating. By physical change process to provide heating for buildings with heating area free of combustion and zero emissions. The original single-well circulation heat exchange of renewable geothermal energy collection technology developed by Mr. Xu has realized the industrialization development and is one of the low-temperature heat (shallow geothermal energy) collection technology of the integrated heating/cooling emerging industry of the Group. Mr. Xu is currently also a director of certain subsidiaries of the Company.

Ms. Chan Wai Kay Katherine ("Ms. Chan"), aged 65, has been appointed as an executive Director of the Company since 6 February 2009 and has retired by rotation as an executive Director at the conclusion of the AGM of the Company held on 7 June 2024 and has ceased to be the deputy chairman of the Board and the deputy chairman of group development strategic committee. Ms. Chan holds a Bachelor degree of Business Administration from the University of Southern California, USA. Ms. Chan has more than 30 years of experience in financial services industry and previously held various key positions in listed companies. Ms. Chan has profound practicing knowledge in company's strategic planning and corporate management of listed companies. Ms. Chan is currently also a director of certain subsidiaries of the Company.

Mr. Dai Qi ("Mr. Dai"), aged 42, was appointed as a non-executive Director of the Company on 12 August 2013 and was redesignated to executive Director since 29 December 2016. Mr. Dai is the deputy chairman of remuneration committee, and a member of group development strategic committee. He currently also serves as the general manager of the Integrated Business Department I of Ever Source Science and Technology Development Group Ltd.*（恒有源科技發展集團有限公司）, a subsidiary of the Group. Mr. Dai holds a master's degree of management from Southwest Jiaotong University（西南交通大學）. Previously, he worked at Beijing Dongcheng Branch of Shenzhen Development Bank（深圳發展銀行）as a senior account executive and held positions with Strategic Management Department of China Energy Conservation Investment Company Limited（中國節能投資公司）and Strategic Management Department of CECEP. Besides, he acted as deputy general manager of Investment and Capital Operation Department of CECEP (HK). After joining the Company, he successively served as the administrative director of the Group and the vice president of Ever Source Science and Technology Development Group Ltd.*（恒有源科技發展集團有限公司）.

Mr. Zhang Wei ("Mr. Zhang"), aged 51, was appointed as an executive Director of the Company on 28 March 2024 and resigned as an executive Director as well as a member of the group development strategic committee on 21 October 2024, but he remained as the chief security officer of the Company. He was redesignated to Chief Operating Office of the Company in March 2025, being responsible for work safety and the operation management of the system. In our Group, he also serves as deputy general manager of the Group's geothermal industry and executive deputy manager of the operation and maintenance center, chairman of Ever Source Science and Technology Development Group Co., Ltd.*（恒有源科技發展集團有限公司）and chief engineer of Beijing Ever Source Geothermal Energy Heating and Cooling Technology Service Company*（北京恒有源地能熱冷技術服務有限公司）. Mr. Zhang holds a degree in agricultural and water resources from China Agricultural University and a title of engineer. Mr. Zhang has served as deputy chief officer of Beijing Fengtai District Water Bureau*（北京市豐台區水務局）, a general manager of Lingnan Water Group Limited（嶺南水務集團有限責任公司）and a general manager of Haimian City Investment Limited（海綿城市投資有限公司）. After joining the Company, he has successively served as executive vice president and deputy chief engineer of the Company, deputy general manager and engineering center deputy general manager of Ever Source Science & Technology Development Group Co., Ltd.*（恒有源科技發展集團有限公司）, deputy general manager of Beijing Ever Source Geothermal Energy Heating and Cooling Technology Service Company*（北京恒有源地能熱冷技術服務公司）, general manager of Beijing Ever Source Environmental System Equipment Installation Engineering Limited*（北京恒有源環境系統設備安裝工程有限公司）, and general manager of Ever Source Technology Development Group Pizhou Co., Ltd.*（恒有源科技發展集團邳州有限公司）. Mr. Zhang is currently also a director of certain subsidiaries of the Company.

Biography of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Liao Yuan ("Mr. Liao"), aged 54, has been appointed as a non-executive Director of the Company since 5 July 2023, and has been appointed as the joint chairman of the Board since 28 August 2024 to collaborate with Mr. Xu to further advance the work of the Board with a particular focus on the Company's strategic planning and development efforts aimed at supporting the achievement of the "dual carbon" goals. Mr. Liao is also the deputy chairman of nomination committee and the deputy chairman of group development strategic committee of the Company. Mr. Liao is a senior Accountant, and holds a bachelor's degree in Human Resources from BEIJING JIAOTONG UNIVERSITY*（北京交通大學）and a postgraduate course in Business Administration from DONGBEI UNIVERSITY OF FINANCE & ECONOMICS*（東北財經大學）. He has been worked in COFCO Corporation*（中穀糧油集團公司）and CHINA LIGHT INDUSTRIAL CORPORATION FOR FOREIGN ECONOMIC AND TECHNICAL CO-OPERATION*（中國輕工業對外經濟技術合作公司）. Mr. Liao joined China Energy Conservation and Environmental Protection Group since 2009, he successively served as the Officer of the Comprehensive Finance Department and the Deputy Chief Accountant of Zhonggie Blue Sky Investment Consulting Management Company Limited*（中節藍天投資諮詢管理有限責任公司）and the Deputy General Manager, the Officer of the Operation Department and General Manager of China Energy Conservation Consulting Company Limited*（中節能諮詢有限公司）. Since 2020, he successively worked in China Energy Conservation and Environmental Protection Ecological Products Development Research Center Company Limited*（中節能生態產品發展研究中心有限公司）, China Energy Conservation and Environmental Protection Green Development Research Institute*（中節能綠色發展研究院）, China Energy Conservation and Environmental Protection Consulting Company Limited*（中節能諮詢有限公司）and China Energy Conservation and Environmental Protection Carbon Peak Carbon Neutrality Research Institute*（中節能碳達峰碳中和研究院）. Currently, he is the General Manager of China Energy Conservation and Environmental Protection Ecological Products Development Research Center Company Limited*（中節能生態產品發展研究中心有限公司）, the Executive Dean of China Energy Conservation and Environmental Protection Green Development Research Institute*（中節能綠色發展研究院）, the Executive Dean of China Energy Conservation and Environmental Protection Carbon Peak Carbon Neutrality Research Institute*（中節能碳達峰碳中和研究院）, the Executive Director and General Manager of China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited*（中國節能環保（香港）投資有限公司）and the Chairman of CECEP Environmental Consulting Group Limited (CECEPEC).

Ms. Liu Ening ("Ms. Liu"), aged 45, has been appointed as a non-executive Director of the Company since 12 March 2021. Ms. Liu is a member of group development strategic committee of the Company. She acted as an alternate Director to Mr. Wang Michael Zhiyu during the period from 14 November 2019 to 11 March 2021 in the Company. Ms. Liu graduated from The RAFFLES-BICT International College（北京服裝學院萊佛士國際學院）in 2004 with a bachelor degree in business administration. From 2004 to 2010, she worked as an administrative manager in Beijing Shuntian Green Slope Technology Co., Ltd.*（北京順天綠色邊坡科技有限公司）. Since 2010, she has been the deputy manager and manager of the media operation department in Beijing Tomorrow Sunshine Advertising Co., Ltd.（北京明日陽光廣告有限公司）responsible for media promotion and operation management. Ms. Liu has extensive experience in marketing and management, and she also has extensive investment experience in the education industry and environmental protection industry.

Mr. Zhang Yiying ("Mr. Zhang"), aged 52, has been appointed as a non-executive Director of the Company since 16 January 2020. Mr. Zhang is a member of group development strategic committee of the Company. Mr. Zhang graduated from Capital University of Economics and Business（首都經濟貿易大學）, majoring in accounting. From 1994 to 2005, Mr. Zhang worked as the manager of credit department at Beijing Branch of China Construction Bank（中國建設銀行）. From 2005 to 2009, he worked as assistant to the chairman and manager of the investment department at Neo-China Land Group (Holdings) Limited（中新地產集團（控股）有限公司）. From 2009 to 2019, he worked as a project manager and investment manager in Xi'an project of Longisland Investment Group (HK) Limited（長島投資集團（香港）有限公司）. From 2019 till now, he has been a director and manager of Xi'an Baoshihua Regional Energy Technology Co., Limited（西安寶石花區域能源科技有限公司）. Mr. Zhang has extensive experience in real estate project development and engineering, as well as extensive management and investment experience.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Honghai ("Mr. Zhang"), aged 72, has been appointed as an independent non-executive Director of the Company since 10 November 2023. Mr. Zhang is the chairman of audit committee, the member of nomination committee, remuneration committee and group development strategic committee of the Company. From September 2014 to January 2017, Mr. Zhang was the independent non-executive Director of the Company. Mr. Zhang graduated from Peking University in 1982 and subsequently completed a postgraduate programme at the International Business School of Hunan University and was awarded a master degree and the title of Senior Economist. Mr. Zhang also holds an EMBA degree from Guanghua School of Management, Peking University. Mr. Zhang has extensive experience in corporate management, including accounting and financial management, having worked with state-owned, private, and listed companies. He has served as director of the Foreign Affairs Office of the People's Government of Beijing Municipality and Hong Kong and Macao Affairs Office of the People's Government of Beijing Municipality. Additionally, he served as vice president of Beijing-Chinese Overseas Friendship Association. From 1990 to 1998, Mr. Zhang worked as deputy general manager, then was promoted to vice chairman and general manager of Beijing International Trust Investment Limited. Mr. Zhang has served as (i) an executive director and vice chairman of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 392); (ii) an executive director and chairman of Beijing Enterprises Water Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 371); (iii) an executive director of Beijing Enterprises Environment Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 154); and (iv) an executive director and chairman of the board of BEP International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2326).

Mr. Wu Qiang ("Mr. Wu"), aged 65, has been appointed as an independent non-executive Director of the Company since 29 December 2016 and resigned as an independent non-executive Director as well as the chairman of the group development strategic committee, the members of audit committee, nomination committee and remuneration committee on 28 March 2025. Mr. Wu graduated from China University of Geosciences（中國地質大學）, Beijing in 1991 and obtained the doctoral degree in Engineering. Mr. Wu is currently a professor of China University of Mining & Technology（中國礦業大學）, Beijing and the academician of China Academy of Engineering. Mr. Wu was honored with the "Li Siguang Geological Science Award" and received many honorable titles including the leader of Chang Jiang Scholars Program of the Ministry of Education, one of ten winners of the first "Outstanding Postdoctoral Award of China", "National Outstanding Teacher" and the State-selected candidate of the first project of "Hundreds, Thousands, and Ten Thousands of Talents for the New Century" of the Ministry of Education. In addition, he is one of the recipients of special government allowance granted by the State Council, and is the deputy chairman of International Mine Water Association (IMWA), the president of national committee of IMWA China and one of the associate editor of Mine Water and the Environment, the SCI-indexed journal. He also serves as a member of China Association for Science and Technology*（中國科學技術協會）, a member of Commission of Technology under Former State Administration of Work Safety*（國家安全生產監督管理總局） and the head of "Expert Panel On Hydrogeology" under the State Administration of Coal Mine Safety*（國家煤礦安全監察局）.

Mr. Wu has published many books and over 300 academic articles. His works were honored with three Second Class Awards of National Science and Technology Progress Award, 10 first class awards of provincial award, while nearly 50 invention patents were granted by the United States, Hong Kong and China and 27 national software copyrights were granted. He worked as the chief editor for preparation of a number of reference books, such as national technology standards and manuals. The research team under his leadership was awarded Outstanding Innovation Team of the Ministry of Education and the "Team of Safety in Mines" of China Association for Science and Technology.

Biography of Directors and Senior Management

Mr. Guan Chenghua ("Mr. Guan"), aged 56, has been appointed as an independent non-executive Director of the Company since 28 March 2020. Mr. Guan is the chairman of nomination committee and remuneration committee, the member of audit committee and group development strategic committee of the Company. Mr. Guan graduated from Law School of Peking University in 2005 with a doctoral degree in law and holds an EMBA degree from Cheung Kong Graduate School of Business. He is currently a professor and doctoral supervisor of The Institute of Economics and Resource Management of Beijing Normal University. He had served as teaching assistant, lecturer, associate professor and Associate Dean of School of Marxism of Peking University, senior visiting scholar at Kennedy School and Law School of Harvard University, the Dean of Innovation and Entrepreneurship College of Xihua University, the Dean of The Institute of Economics and Resource Management of Beijing Normal University, secretary of Beijing Changping District Committee of the Communist Party of China, and secretary of The Communist Youth League Beijing Municipal Committee. Mr. Guan is also currently the deputy director of The University Council of Beijing Normal University, the president of Capital Institute of Science and Technology Development Strategy, the director of United Nations Industrial Development Organization (UNIDO) Green Industry Platform (GIP) China Chapter, a committee member of Beijing Municipal Government Expert Advisory Board, the Dean of China Institute of Innovation and Development (CIID), Beijing Normal University, an independent director of Beijing Life Insurance Co., Ltd. etc., as well as the Director of Suning.com Co. Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002024). Mr. Guan has long been engaged in teaching and research at high-level universities, and has extensive local government work experience. He has also published a number of monographs covering different topics such as education and talent training, city innovation, green economy and development.

Mr. Guo Guanglei ("Mr. Guo"), aged 61, has been appointed as an independent non-executive Director of the Company, the member of the Audit Committee, the Remuneration Committee and the Nomination Committee, as well as the Chairman of the Group Development Strategic Committee since 28 March 2025. Mr. Guo holds a Bachelor of Science degree in Microbiology from Shanxi University, a Master's degree in Finance from Peking University, and a Doctorate in Management Science and Engineering from the University of Science and Technology of China. Mr. Guo has previously held various significant positions, including Deputy Secretary of the Youth League Committee at the Beijing Water Authority, Deputy Minister and Standing Committee Member of the Beijing Youth League Committee, Deputy Secretary of the Beijing Financial Work Committee, Deputy Secretary of the Mentougou District Party Committee in Beijing, and Secretary and Director of the Beijing Rural Economic Research Center (Beijing Agricultural Economics Office). Since 2018, Mr. Guo has been serving as the Executive Director and Chairman of Beijing Life Insurance Co., Ltd. He possesses extensive leadership experience and strategic planning capabilities in the fields of rural economic research, financial management, and administrative management.

SENIOR MANAGEMENT

Mr. Yang Mingzhong ("Mr. Yang"), aged 46, has served as the Chief Executive Officer of our Company since 2 December 2022, and has concurrently served as the Chief Engineer of the Company since March 2025, being responsible for the overall operation and management. Mr. Yang possesses qualifications as a Senior Engineer (Engineering Design and Construction), a PRC Registered Utility Engineer (Heating, Ventilation and Air Conditioning), and Registered First-Class Constructor (Mechanical and Electrical Engineering). He graduated with a Bachelor's degree in Building Environment and Equipment Engineering from Harbin Institute of Technology in 2001 and joined Ever Source Technology Development Group Co., Ltd. ("HYY Technology"), a subsidiary of the Group, in January 2003. He has successively held the positions of Vice President of HYY Technology, System Design Director and Executive Vice President of the Company. Mr. Yang has extensive experience in HVAC mechanical and electrical design and construction management, specializing in the comprehensive application of ground energy heating system technology, and boasts rich expertise in business management.

Mr. Pan Ya ("Mr. Pan"), aged 48, a senior accountant and a PRC certified tax agent, currently serves as the Financial Officer of the Company and is responsible for the financial operation and management. Mr. Pan graduated with a Bachelor's degree in Accounting from Nanjing University of Finance and Economics (formerly known as Nanjing College of Economics). Starting his career in August 1999, he has been engaged in financial accounting and management for an extended period. He previously served as an Accountant at the Welfare Enterprise Management Office of the Civil Affairs Bureau in Gulou District, Xuzhou, Jiangsu, and as a Supervising Accountant at Tietong Huaihai Telecommunication Information Co., Ltd. He joined HYY Technology in April 2004 and has successively held the positions of Financial Director of HYY Technolgoy's Joint Ventures, Director of the Financial Office of the Company, Deputy Chief Financial Officer of the Company, Financial Director of HYY Technology, Chief Financial Officer of the Company and the Financial Officer of the Group's geothermal industry.

Ms. Nie Dan ("Ms. Nie"), aged 43, a PRC lawyer, currently serves as the Executive Vice President and the Company Secretary of the Company, and is responsible for legal affairs, human resources, and the management of Hong Kong regional subsidiaries. Ms. Nie holds a Bachelor of Laws from China University of Political Science and Law, a Master of Laws from City University of Hong Kong and a Master of Business Administration from Hong Kong Metropolitan University. She joined the Company in July 2011 and has successively held the positions of Director of Legal Affairs and Human Resources, Assistant to the President, Executive Vice President, and Chief Legal Officer.

Mr. He Tianyue ("Mr. He"), aged 51, currently serves as Executive Vice President of the Company, and is responsible for the market and information management. Mr. He graduated with a Bachelor's degree in foreign languages from Beijing University of Aeronautics and Astronautics in 1995. He joined HYY Technology in 2008 and has successively held the positions of the leader of the information team of the customer service center, the deputy director and director of the general office, the director of the administrative center, the assistant to the president, the general manager of the business department III, the deputy general manager of the smart heating business department, the director of agency development service center, vice president of HYY Technology, and executive vice president and the chief information officer of the Company.

Ms. Liu Baohong ("Ms. Liu"), aged 42, currently serves as Executive Vice President of the Company, and is responsible for the management of heat pump products. Mr. Liu graduated with a Bachelor's degree in Building Environment and Equipment Engineering from North China University of Science and Technology in 2006. She joined HYY Technology in 2007 and has successively held the positions of designer, director of the design office and assistant to the president of HYY Technology, and executive vice president and the chief product officer of the Company.

Mr. Wang Xuezhi ("Mr. Wang"), aged 42, currently serves as the Executive Vice President of the Company, and is responsible for the management of the geothermal energy source system. Mr. Wang graduated with a bachelor's degree in Automation from Beijing University of Technology in 2005. He joined HYY Technology in 2005 and has successively served as a technician in the Technology Center of HYY Technology, a quality inspector and manager of Beijing Yuanquan Drilling Engineering Co., Ltd., a subsidiary of the Group, and the manager of the Yuanquan Energy Branch of HYY Technology.

Mr. Li Daqiu ("Mr. Li"), aged 41, currently serves as the Executive Vice President of the Company, and is responsible for production and engineering management. Mr. Li graduated from Hong Kong Baptist University in 2009 with a bachelor's degree in Computer Science, and graduated from the Hong Kong University of Science and Technology in 2010 with a master's degree in Engineering Management. He joined HYY Technology in 2010 and has successively held positions such as the manager of Beijing Yuanquan Drilling Engineering Co., Ltd., a subsidiary of the Group, and the manager of Beijing Ever Source Environmental System Equipment Installation Engineering Co., Ltd., a subsidiary of the Group.

* *For identification purpose only*

Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2024 (the "Reporting Period").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 December 2024 by business segments are set out in note 4 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2024 and the Group's financial position as at that date are set out in the consolidated financial statements on pages 50 to 140.

The directors do not recommend the payment of any dividend for the year ended 31 December 2024.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2024 and a discussion on the Group's future business development are provided in the "Management Discussion and Analysis" on pages 7 to 12. A summary of the Group's performance during the year ended 31 December 2024 is provided in the "Financial Highlights" and "Five-Year Financial Summary" set out on page 7 and 141 respectively of this annual report. In addition, the financial risk management objectives and policies of the Group can be referred in note 43 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group's land and buildings were revalued as at 31 December 2024. The revaluation resulted in a surplus over book values amounting to approximately HK$2,507,000, which has been charged directly to the asset revaluation reserve.

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the end of the year. There was a decrease in fair value with amount of HK$548,000 during the year. Most of these investment properties will be developed as the Group's self-built demonstration leasing project with the application of shallow geothermal energy.

PROPERTIES

Details of the major properties held by the Group as at 31 December 2024 are set out on page 142 of this annual report.

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 31 December 2024, together with the reasons therefore, are set out in notes 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 Report, 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:

		Purchase price per Share		
Repurchase period	**No. of Shares repurchased**	**Highest price paid** *(HK$/Share)*	**Lowest price paid** *(HK$/Share)*	**Aggregate consideration paid** *(HK$)*
During the year ended 31 December 2024				
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
Total	**21,352,000**	–	–	**957,392**
Subsequent to 31 December 2024 and up to the date of this Report				
January 2025	1,064,000	0.045	0.044	47,704
Total	**1,064,000**	–	–	**47,704**

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 Report.

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.

CHARITY DONATIONS

During the year, the Group made charity donations of RMB200,000 and heating equipment of RMB200,000 (equivalents to approximately HK$219,260) (2023: RMB7,090,000).

Report of the Directors

OTHER RESERVES

Details of movements in the other reserves of the Company and the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares. As at 31 December 2024, the Company did not have any reserve available for distribution after net off the accumulated losses of the Company (2023: Nil).

ENVIRONMENTAL POLICY

We are committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. The Group adheres to the principle of recycling and reducing so as to minimise the environmental impact from our operation. Besides, being a corporation engaging in the business of research, development and promotion of shallow geothermal energy as alternative energy to provide heating for buildings, we have installed our Ground Energy Heat Pump Environmental System and/or Ground Energy Heating Devices in most of our offices in China for providing heating and cooling which has achieved great saving in electricity and thereby reducing pollution to the environment.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses and enhance environmental sustainability.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. The Group has been setting up system and allocating resources to ensure ongoing compliance with rules and regulations. The Group has complied, to the best of our knowledge, with the Securities and Futures Ordinance (the "SFO"), the GEM Listing Rules, the applicable employment ordinance both in China and Hong Kong, the local standards and regulations for our project works as well as other relevant rules and regulations during the year.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Human resources are one of the greatest assets of the Group. The Group ensures all staff are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, career development opportunities, training, occupational health and safety. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found during the Year.

The Group values views and opinions of all customers and collects them through various means and channels including making regular visits/phone calls/holding meetings. A 24 hours service hotline is set up to timely deal with customers' enquiries and complaints so as to understand the customer needs and regularly analyse on customers' feedback. The Group also conducts comprehensive tests and checks to ensure quality products and services are offered to the customers.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The Group has set up a qualified suppliers database registering the suppliers which are met certain performance criteria and eligibility requirements to facilitate the procurement process. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 33.03% (2023: 46.2%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 9.67% (2023: 10.5%). Purchases from the Group's five largest suppliers accounted for approximately 36.97% (2023: 31.06%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 21.60% (2023: 16.72%).

To the best knowledge of the Directors, neither the Directors, their close associates, nor any shareholders who own more than 5% of the Company's issued shares (excluding treasury shares), had any beneficial interest in the Group's five largest customers and/or its five largest suppliers during the year.

DIRECTORS

The Directors during the year and up to the date of this report were/are:

Executive Directors:

Mr. Xu Shengheng *(Joint Chairman)*
Ms. Chan Wai Kay Katherine *(Deputy Chairman)* (Retired by rotation at the conclusion of the AGM held on 7 June 2024)
Mr. Dai Qi
Mr. Zhang Wei (Appointed on 28 March 2024 and resigned on 21 October 2024)

Non-executive Directors:

Mr. Liao Yuan *(Joint Chairman)* (Appointed as the Joint Chairman on 28 August 2024)
Ms. Liu Ening
Mr. Zhang Yiying

Independent non-executive Directors:

Mr. Zhang Honghai
Mr. Wu Qiang (Resigned on 28 March 2025)
Mr. Guan Chenghua
*Mr. Guo Guanglei

Note: In accordance with article 84(3) and 85 of the Articles, Mr. Guo Guanglei, Mr. Zhang Yiying and Mr. Guan Chenghua will retire at the forthcoming annual general meeting, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 13 to 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company, which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

* Mr. Guo Guanglei has been appointed as an independent non-executive Director, the member of the Audit Committee, the Remuneration Committee and the Nomination Committee, as well as the chairman of the Group Development Strategic Committee with effect from 28 March 2025.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in notes 8 and 40 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

PERMITTED INDEMNITY

Pursuant to the Articles, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors for the year ended 31 December 2024 is set out below:

Changes of Directors and nominations of the Company

1) Mr. Zhang Wei has been appointed as an executive Director as well as a member of the group development strategic committee of the Company since 28 March 2024 and has resigned as executive Director as well as a member of the group development strategic committee, with effect from 21 October 2024. But he remained as the chief security officer of the Company.

2) Ms. Chan Wai Kay Katherine has retired by rotation as an executive Director at the conclusion of the AGM of the Company held on 7 June 2024 and has ceased to be the deputy chairman of the Board and the deputy chairman of group development strategic committee.

3) Mr. Liao Yuan has been appointed as the joint chairman of the Board since 28 August 2024 to collaborate with Mr. Xu Shengheng to further advance the work of the Board with a particular focus on the Company's strategic planning and development efforts aimed at supporting the achievement of the "dual carbon" goals.

Save as disclosed above and elsewhere in this report, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules for the year ended 31 December 2024.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2024, the interests and short positions of the directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

The interests of Directors and the Chief Executive in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 31 December 2024 were as follows:

Name	Capacity	Number of Ordinary Shares of the Company	% of the Issued Voting Shares of the Company[1]
Directors			
Mr. Xu Shengheng（徐生恒先生）	Beneficial Owner	722,170,600)	
	Interest of Spouse[2]	982,800)	16.05%
Ms. Chan Wai Kay Katherine（陳蕙姬女士）[3]	Beneficial Owner	66,790,400)	
	Interest of Spouse[4]	14,103,600)	1.80%
Ms. Liu Ening（劉婀寧女士）	Beneficial Owner	253,000,000	5.62%
Mr. Zhang Yiying（張軼穎先生）	Beneficial Owner	5,504,000)	
	Interest of Controlled Corporation[5]	250,000,000)	5.67%
Mr. Wu Qiang（武強先生）	Beneficial Owner	5,000,000	0.11%
Mr. Guan Chenhua（關成華先生）	Beneficial Owner	5,000,000	0.11%
Chief Executive			
Mr. Yang Mingzhong（楊明忠先生）	Beneficial Owner	1,760,000	0.04%

Notes:

(1) As at 31 December 2024, the total number of issued shares of the Company was 4,526,925,163 shares. After excluding 21,352,000 treasury shares without voting rights, the total number of issued shares with voting rights was 4,505,573,163 shares.

(2) The interests are beneficially held by Ms. Luk Hoi Man（陸海汶女士）, the spouse of Mr. Xu Shengheng, comprising 982,800 Shares. Pursuant to the SFO, Mr. Xu Shengheng is deemed to be interested in all the interests held by Ms. Luk Hoi Man（陸海汶女士）.

(3) Ms. Chan Wai Kay Katherine retired by rotation as an executive Director at the conclusion of the AGM held on 7 June 2024.

(4) The interests are beneficially held by Mr. Chow Ming Joe Raymond（周明祖先生）, the spouse of Ms. Chan Wai Kay Katherine, comprising 14,103,600 Shares. Pursuant to the SFO, Ms. Chan Wai Kay Katherine is deemed to be interested in all interests held by Mr. Chow Ming Joe Raymond（周明祖先生）.

(5) The interests are beneficially held by Universal Zone Limited, which is wholly owned by Mr. Zhang Yiying. Pursuant to the SFO, Mr. Zhang Yiying is deemed to be interested in all the shares held by Universal Zone Limited.

Report of the Directors

Each of the other Directors, namely Mr. Liao Yuan, Mr. Dai Qi, Mr. Zhang Wei and Mr. Zhang Honghai have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 31 December 2024.

None of the Directors or the Chief Executive had interests in debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2024.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Directors or the Chief Executive had short positions in respect of shares, debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2024.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Schemes", at no time during the year were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire such rights in any other corporate body.

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 Report.

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 Report, the remaining life of the 2020 Share Award Scheme shall be approximately four years and nine 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 Report, 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 Report.

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).

Report of the Directors

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 Report, 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.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Schemes", no equity-linked agreements were entered into by the Group, or existed during the Year.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as the Directors are aware, at 31 December 2024, the following persons (other than directors or chief executives of the Company) have or are deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

1. Aggregate long position in the shares and underlying shares of the Company

The Company had been notified of the following substantial shareholders' and other persons' interests in the shares of the Company as at 31 December 2024:

Name	Capacity	Number of Ordinary Shares of the Company	% of the Issued Voting Shares of the Company[1]
China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited*（中國節能環保（香港）投資有限公司）[2]	Beneficial Owner	1,190,000,000	26.41%
China Energy Conservation and Environmental Protection Group*（中國節能環保集團有限公司）[2]	Interest of Controlled Corporation	1,190,000,000	26.41%
Ms. Luk Hoi Man（陸海汶女士）	Beneficial Owner	982,800)	
	Interest of Spouse[3]	722,170,600)	16.05%
Mr. Wang Michael Zhiyu（王志宇先生）	Interest of Spouse[4]	253,000,000	5.62%
Ms. Wang Xinmeng（王心萌女士）	Interest of Spouse[5]	255,504,000	5.67%
Universal Zone Limited	Beneficial Owner	250,000,000	5.55%

Notes:

(1) As at 31 December 2024, the total number of issued shares of the Company was 4,526,925,163 shares. After excluding 21,352,000 treasury shares without voting rights, the total number of issued shares with voting rights was 4,505,573,163 shares.

(2) China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited, a wholly-owned subsidiary of China Energy Conservation and Environmental Protection Group, holds 1,190,000,000 Shares of the Company.

(3) The interests are beneficially held by Mr. Xu Shengheng（徐生恒先生）, the spouse of Ms. Luk Hoi Man（陸海汶女士）, comprising 722,170,600 Shares. Pursuant to the SFO, Ms. Luk Hoi Man（陸海汶女士）is deemed to be interested in all the interests held by Mr. Xu Shengheng（徐生恒先生）.

(4) The interests are beneficially held by Ms. Liu Ening（劉婀寧女士）, the spouse of Mr. Wang Michael Zhiyu（王志宇先生）, comprising 253,000,000 Shares. Pursuant to the SFO, Mr. Wang Micheal Zhiyu（王志宇先生）is deemed to be interested in all the interests held by Ms. Liu Ening（劉婀寧女士）.

(5) The interests are beneficially held by Mr. Zhang Yiying（張軼穎先生）, the spouse of Ms. Wang Xinmeng（王心萌女士）, comprising 255,504,000 Shares. Pursuant to the SFO, Mr. Wang Xinmeng（王心萌女士）is deemed to be interested in all the interests held by Mr. Zhang Yiying（張軼穎先生）

As at 31 December 2024, the Company had not been notified of any long positions being held by any substantial shareholder or other persons in the underlying shares of the Company through equity derivatives such as share options, warrants to subscribe or convertible bonds.

2. Aggregate short position in the shares and underlying shares of the Company

As at 31 December 2024, the Company had not been notified of any short positions being held by any substantial shareholder or other persons in the shares or underlying shares of the Company.

Report of the Directors

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The continuing connected transactions exempt from independent shareholders' approval requirements under Rule 20.74 of the GEM Listing Rules undertaken by the Group during the period under review are set out below:

On 18 January 2022, the Company entered into the sale and purchase framework agreement ("2022 SP Framework Agreement") with China Energy Conservation and Environmental Protection Group ("CECEP"), a substantial shareholder of the Company, whereby CECEP and its subsidiaries agreed to purchase and the Company and its subsidiaries agreed to supply of the products and provision of services. The term of the sale and purchase framework agreement is from the date of the sale and purchase framework agreement from 1 January 2022 to 31 December 2024.

As at the date of 18 January 2022, CECEP (through its wholly-owned subsidiary China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited ("CECEP(HK)") is a substantial shareholder and is interested in 1,190,000,000 shares, representing approximately 26.29% of the total issued share capital of the Company. Therefore, CECEP is a connected person of the Company pursuant to the GEM Listing Rules. The Company entered into the 2022 SP Framework Agreement with CECEP for the supply transactions contemplated thereunder constitutes continuing connected transactions on the part of the Company pursuant to Chapter 20 of the GEM Listing Rules. In view of all the applicable percentage ratios for the supply annual caps are less than 5%, therefore the transactions contemplated under the 2022 SP Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The annual caps for the supply of the Products and provision of Services by the Company and its subsidiaries under the 2022 SP Framework Agreement for the period from 1 January 2022 to 31 December 2022 (the "Period") was RMB8,000,000. No transaction was recorded for the supply of the Products and provision of Services by the Company and its subsidiaries to CECEP and its subsidiaries for the Period.

The annual caps for the supply of the Products and provision of Services by the Company and its subsidiaries under the 2022 SP Framework Agreement for the period from 1 January 2023 to 31 December 2023 (the "Period") was RMB8,000,000. No transaction was recorded for the supply of the Products and provision of Services by the Company and its subsidiaries to CECEP and its subsidiaries for the Period.

The annual caps for the supply of the Products and provision of Services by the Company and its subsidiaries under the 2022 SP Framework Agreement for the period from 1 January 2024 to 31 December 2024 (the "Period") was RMB8,000,000. No transaction was recorded for the supply of the Products and provision of Services by the Company and its subsidiaries to CECEP and its subsidiaries for the Period.

The independent non-executive Directors have confirmed the above continuing connected transactions in accordance with Rule 20.53 of the GEM Listing Rules that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms or better, and in accordance with the terms of the relevant agreements governing such transactions that are fair and reasonable and in the interests of the shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has issued an unqualified letter containing their findings and conclusions accordingly. The letter stated that (i) the above continuing connected transactions have been approved by the Board; (ii) the transactions involving the provision of goods or services by the Group were, in all material respects, in accordance with the pricing policies of the Group; (iii) the transactions were entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) the above continuing connected transactions did not exceed their respective annual caps as set out in the Company's announcement dated 18 January 2022.

During the Reporting Period, save as disclosed above, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirement of Rule 20.69 of the GEM Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 20 of the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the year ended 31 December 2024 are set out in note 40 to the consolidated financial statements.

REMUNERATION POLICY

The remuneration policy of the Group for rewarding its employees is based on their performance, qualifications and competence.

The emoluments of the Directors are decided by the Board upon the recommendation by remuneration committee of the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company adopted share schemes in 2020 and 2024 respectively, as an incentive for, amongst other things, eligible directors and employees. Details of these share schemes are outlined in the section headed "Share Schemes".

PENSION SCHEMES

The Group has only defined contribution schemes and does not have any defined benefit plans. There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) be used to reduce the existing level of contributions during the year ended 31 December 2024.

The Group participates in defined contribution schemes which are registered under the Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("MPFSO") for the benefits of its employees in Hong Kong. The assets of the schemes are held, separately from those of the Group, in funds under the control of independent trustees. In accordance with the statutory limits prescribed by the MPFSO, for each employee under the MPF Scheme, the Group contributes 5% (2023: 5%) of the relevant income to the MPF Scheme, subject to a cap of monthly contribution at HK$1,500 per employee (2023: HK$1,500), which contribution is matched by the employee. Contributions to the MPF Scheme for the Group's employees are fully and immediately vested in the employees once the contributions are made.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), the Group has joined defined contribution schemes arranged by local government labour and security authorities ("PRC Retirement Schemes") for the employees of the Group's subsidiaries in the PRC. The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government authorities. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

Report of the Directors

There were no contributions forfeited by the Group on behalf of its employees who leave the MPF Scheme or the PRC Retirement Schemes (as the case may be). Hence, there is no such an issue whether forfeited contributions may be used by the Group to reduce the existing level of contributions to such schemes respectively as described in Rule 18.34(2) 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.

MANAGEMENT CONTRACTS

No contracts, other than the employment contracts of the Directors and senior management of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

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.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 32 to 43.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix C2 of the GEM Listing Rules will be available on the websites of the Stock Exchange and the Company in due course.

SUFFICIENT OF PUBLIC FLOAT

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

AUDITOR

Ernst & Young has resigned as the auditor of the Company with effect from 6 September 2022, as the Company could not reach a consensus with Ernst & Young in respect of the audit fees for the year ending 31 December 2022.

BDO Limited was appointed as the auditor of the Company on 10 November 2022 and resigned on 23 June 2023, as i) the Board did not agree the additional audit fee, and ii) BDO Limited and the Company cannot come to an agreement on the timetable.

CL Partners CPA Limited ("CL Partners") was appointed as the auditor of the Company with effect from 31 July 2023.

The consolidated financial statements of the Company for the year ended 31 December 2024 was audited by CL Partners, who will retire at the conclusion of the forthcoming annual general meeting and will be eligible, offer themselves for re-appointment. A resolution for the re-appointment of CL Partners as auditor of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Xu Shengheng
Joint Chairman & Executive Director

Liao Yuan
Joint Chairman & Non-executive Director

Hong Kong, 26 March 2025

Corporate Governance Report

The board of Directors of the Company (the "Board") is pleased to present the corporate governance report for the year ended 31 December 2024.

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company had complied with most of the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix C1 of the GEM Listing Rules throughout the year ended 31 December 2024 (the "Reporting Period"). This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs. It also explains the applications of the Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

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.

BOARD OF DIRECTORS

As at 31 December 2024, the Board comprised of eight Directors including three executive Directors, namely Mr. Xu Shengheng (Joint Chairman) and Mr. Dai Qi, three non-executive Directors, namely Mr. Liao Yuan (Joint Chairman), Ms. Liu Ening and Mr. Zhang Yiying and three independent non-executive Directors, namely, Mr. Zhang Honghai, Mr. Wu Qiang and Mr. Guan Chenghua.

During the Reporting Period, for the category of executive Directors, Mr. Zhang Wei was appointed on 28 March 2024 and resigned on 21 October 2024, and Ms. Chan Wai Kay Katherine retired by rotation at the conclusion of AGM of the Company held on 7 June 2024; the non-executive Director, Mr. Liu Yuan, was appointed as the Joint Chairman on 28 August 2024.

Mr. Zhang Wei was appointed as an executive Director of the Company on 28 March 2024. Mr Zhang has obtained the legal advice from a firm of solicitors as per Rule 5.02D of the GEM Listing Rules on 27 March 2024 and has confirmed he understood his obligations as a director of the Company.

The composition of the Board ensures a balance of expertise and experience appropriate to the requirements of the business of the Company and to the exercising of independent opinion. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise.

The Board is responsible for the overall strategic development of the Group. It also monitors the financial performance, internal control and risk management of the Group's business operations. Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The Board delegates day-to-day activities to the management with department heads responsible for different aspects of the business. The non-executive Directors serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on audit committee of the Board (the "Audit Committee"), remuneration committee of the Board (the "Remuneration Committee") and nomination committee of the Board (the "Nomination Committee").

According to the Articles, at each annual general meeting, one third of the Directors for the time being, or their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years.

To the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Board normally has four scheduled meetings a year at quarterly interval and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company. During the Reporting Period, a total of eleven Board meetings were held.

Board minutes are kept by the secretary of the Company (the "Secretary") and are open for inspection by the Directors of the Company. Each Director of the Company is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Secretary, and has the liberty to seek external professional advice if required.

During the Reporting Period, eleven Board meetings were held. Details of the attendance of the Directors at the meetings of the Board and its respective committees, as well as the general meetings were as follows:

	Number of meetings attended/Number of meetings held				
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**General Meeting**
Executive Directors					
Mr. Xu Shengheng	11/11	N/A	3/3	2/2	2/2
Ms. Chan Wai Kay Katherine (Retied by rotation on 7 June 2024)	4/4	N/A	N/A	N/A	1/1
Mr. Dai Qi	11/11	N/A	3/3	N/A	2/2
Mr. Zhang Wei (Appointed on 28 March 2024 and resigned on 21 October 2024)	7/7	N/A	N/A	N/A	2/2
Non-executive Directors					
Mr. Liao Yuan	11/11	N/A	N/A	2/2	0/2
Ms. Liu Ening	11/11	N/A	N/A	N/A	2/2
Mr. Zhang Yiying	11/11	N/A	N/A	N/A	2/2
Independent non-executive Directors					
Mr. Zhang Honghai	11/11	3/3	3/3	2/2	2/2
Mr. Wu Qiang	11/11	3/3	3/3	2/2	2/2
Mr. Guan Chenghua	11/11	3/3	3/3	2/2	2/2

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.

Notes: During the Reporting Period, the Group Development Strategic Committee did not hold meeting.

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.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision C.2.1 of the Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The chairman of the board was performed by Mr. Xu Shengheng during the period between 1 January 2024 and 27 August 2024. Since Mr. Liao Yuan was appointed as the joint chairman of the board from 28 August 2024, the chairman of the board was jointly performed by Mr. Xu Shengheng and Mr. Liao Yuan. The chief executive has been performed by Mr. Yang Mingzhong during the year.

NON-EXECUTIVE DIRECTORS

All the existing non-executive Directors were appointed for specific terms not more than three years. All Directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. According to the Company's articles of association, Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders.

Mechanisms to ensure independent views

The Company ensures independent views and input are available to the Board via the below mechanisms:

1. The Board composition and the independence of the independent non-executive Directors should be reviewed by the Nomination Committee on an annual basis, in particular the proportion of the independent non-executive Directors and the independence of the independent non-executive director who has served for more than nine years (if applicable).

2. The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

3. In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions in relation to the transactions with the controlling shareholders and/or its associates.

4. The chairman of the Board shall meet with independent non-executive Directors at least once annually.

5. All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the company policy.

The Board reviews the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive Directors, and their contribution and access to external independent professional advice.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with Code Provision C.1.8. The insurance coverage will be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors, including independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the businesses and activities of the Group. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices. During the Reporting Period, the Directors have confirmed that they have received the training as follows:

Name of Directors	Reading journals, written training materials and/or updates	Viewing the director training webcast published by Stock Exchange
Mr. Xu Shengheng	✓	✓
Ms. Chan Wai Kay Katherine (Retied by rotation on 7 June 2024)	✓	✓
Mr. Dai Qi	✓	✓
Mr. Zhang Wei (Appointed on 28 March 2024 and resigned on 21 October 2024)	✓	✓
Mr. Liao Yuan	✓	✓
Ms. Liu Ening	✓	✓
Mr. Zhang Yiying	✓	✓
Mr. Zhang Honghai	✓	✓
Mr. Wu Qiang	✓	✓
Mr. Guan Chenghua	✓	✓

REMUNERATION COMMITTEE

A Remuneration Committee was formed in May 2006 with specific written terms of reference which deal clearly with its authority and duties in accordance with the requirements of the Code. The committee is chaired by an independent non-executive director and comprise a majority of independent non-executive directors. The Remuneration Committee is responsible for reviewing and developing the remuneration polices of the Directors and senior management, and making recommendations to the board on the remuneration package of individual executive directors and senior management. The Remuneration Committee in designing the remuneration packages would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management. The Remuneration Committee presently consists of three independent non-executive Directors, namely Mr. Guan Chenghua (Chairman of Remuneration Committee), Mr. Zhang Honghai and Mr. Wu Qiang and two executive Directors namely Mr. Xu Shengheng (Deputy Chairman of Remuneration Committee) and Mr. Dai Qi (Deputy Chairman of Remuneration Committee). During the Reporting Period, three meetings were held by the Remuneration Committee, among other things, the remuneration packages of Directors and senior management has been reviewed and deemed fair and reasonable. In consideration of the directors' remuneration, no director is involved in deciding his/her own remuneration. During the Reporting Period, the Remuneration Committee has reviewed and approved The 2024 Share Option Scheme and The 2024 Share Award Scheme.

Corporate Governance Report

NOMINATION COMMITTEE

A Nomination Committee was formed by the Company on 21 March 2012 with specific written terms of reference which has been adopted by the Company are consistent with the requirements of the Code. A majority of its members comprised of Independent non-executive directors. The primary duties of the Nomination Committee are, among others, to review the structure, size and composition (including the skills, knowledge and experience) and to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. The Nomination Committee presently consists of Mr. Guan Chenghua (Chairman of Nomination Committee), Mr. Xu Shengheng (Deputy Chairman of Nomination Committee), Mr. Liao Yuan (Deputy Chairman of the Nomination Committee), Mr. Zhang Honghai and Mr. Wu Qiang. During the Reporting Period, the Nomination Committee held two meetings, among other things, to consider and recommend the appointment of Directors and the nomination of senior management in consideration of the board diversity policy of the Company, the composition of the Board and the background of the candidate.

BOARD DIVERSITY POLICY

The Board adopted the board diversity policy ("Board Diversity Policy") in accordance with the requirement set out in the Code. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

As at 31 December 2024, the Board comprised of eight Directors, amongst of them, one member is female and seven members are male; the total workforce of the Group is 193, amongst of them, 37 staff (approximately 19%) are female and 176 staff (approximately 81%) are male; the total number of senior management personnel is 8, amongst of them, 2 (approximately 25%) are female, 6 (approximately 75%) are male. The Group has also taken and will continue to take steps to promote gender diversity at all levels of the Group.

Besides, the Directors obtained bachelor degrees or postgraduate qualification in various disciplines, including engineering, legal, business administration, economics, accounting and finance. They also have a balanced mix of professional experience and industry background in buildings heating with shallow geothermal energy, geological, project engineering, credit control, corporate governance, corporate finance and accounting.

NOMINATION POLICY

The Company adopted a nomination policy, which establishes written guidelines to the Nomination Committee to identify candidates suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

Nomination Process

- identify candidates for directorship, including recommendations from Board members, management, shareholders and third party agency;

- candidates for directorship will be selected in consideration of the Board Diversity Policy as well as the selection criteria;

- candidates for directorship will be evaluated on the criteria through review of resume, personal interview, background checks and third party reference checks;

- hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

- submit to the Board of its recommendations on candidates.

Selection Criteria

The Nomination Committee shall consider a variety of factors in assessing the suitability of a proposed candidate for directorship, including but not limited to the following selection criteria:

- character and integrity;

- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;

- commitment for responsibilities of the Board in respect of available time and relevant interest;

- potential contributions that the candidate can bring to the Board;

- independence with reference to the independence guidelines set out in Rules 5.05(2) and 5.09 of the GEM Listing Rules if the candidate is nominated as an independent non-executive Director.

Corporate Governance Report

AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 December 2024 were performed by CL Partners CPA Limited. The total fee paid/payable in respect of the statutory audit and non-audit services provided by external auditor during the Reporting Period are set out below:

Services rendered	Fee paid/payable for the year ended 31 December 2024 *HK$'000*
Audit services	1,644
Non-audit services	–
Total	1,644

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting processes, risk management and internal control systems of the Group, to make recommendations to the Board in relation to the appointment, re-appointment and removal of external auditor and to provide advice and comments to the Board accordingly.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Zhang Honghai (Chairman of the Audit Committee), Mr. Wu Qiang and Mr. Guan Chenghua.

During the Reporting Period, three meetings were held, among other things, to consider and review, the following matters:

1) the half-yearly and annual results of the Company before submission to the Board, the impact of the changes in accounting policies and practices and compliance of the relevant accounting standards and the GEM Listing Rules;

2) the re-appointment of external auditor and the proposed audit fee;

3) meeting with auditors to discuss the audit plan and scope of work before commencement of the audit work;

4) review and discuss with auditors regarding the audited results and audit findings, including the deficiencies in internal control that are identified during the audit; and

5) review the risk management and internal control systems of the Group.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The Directors acknowledged their responsibility for the preparation of the financial statements, which give a true and fair view of the financial position, financial performance and cash flows of the Group. The auditor are responsible to form an independent opinion based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

COMPANY SECRETARY

Ms. Nie Dan, the company secretary of the Company, is a PRC Lawyer. Ms. Nie, an employee of the Company, has been appointed as the company secretary of the Company since 28 August 2024. During the Reporting Period, Ms. Nie has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

During the Reporting Period. Mr. Chen Ning, a certified public accountant in the PRC, served as the company secretary of the Company from 1 January 2024 to 27 August 2024.

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; and

(d) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

INTERNAL CONTROLS AND RISK MANAGEMENT

It is the responsibility of the Board to ensure that a sound and effective risk management and internal control system is in place for safeguarding the interests of the Shareholders and oversee management in design, implementation and monitoring of the risk management and internal control systems. Such systems are designed to manage the Group's risk rather than to eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

The Group's risk management and internal control structure include a management structure with clearly defined lines of responsibility and limits of authority. The Group has comprehensive policies and guidelines in governing and controlling the daily operational and business activities and transactions. The Group adopted a three-line risk management approach to identify, analyze, assess, mitigate and handle risks. The first line of defence is that our department staff/frontline employees who must understand that their roles and responsibilities to identify, assess and monitor risks associated with their scope of works and transactions and should strictly follow internal control measures in their day-to-day transactions. The Group will enhance the compliance of internal control procedures by providing training and guidelines to department staff/frontline employees. The second line of defence is the Group's management that provides independent oversight of the internal control and risk management activities of the first line of defence. They are mainly responsible for ensuring and maintaining effective internal controls and for executing risk and control procedures, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives of the Group and to better monitor and minimize the risks. As the final line of defence, the audit committee of the Company, with the advices and opinions from the external professional party (such as the external auditor) and review by the internal audit function, ensures that the first and second lines of defence are effective.

During the Reporting Period, the Company has put continuous effort in enhancing the control and management system and reinforcing the supervision efforts, so as to ensure that the Company can withstand changes in its operations and other external influences on its financial and operation.

Corporate Governance Report

PRINCIPAL RISKS FACING BY THE GROUP

The Company has identified the principal risks related to the market, operation, and capital, and formulated the following corresponding measures to mitigate these risks:

a. Market Risks

Identified Risks

- Impact of Macroeconomic Conditions and Industry Transformation: The macroeconomic situation and the transformation and upgrading of the real estate industry and traditional energy enterprises may impede the Company's project promotion, adding uncertainties to the Company's business.

- Market Competition and Capital-Advance Risks: Fierce market competition forces the Company to selectively abandon some projects to avoid large – scale capital advances for projects.

Mitigation Measures

- Strengthen the Core Competitiveness of Technology: With technological innovation as the core, enrich and improve the ″single – well circulation″ heat exchange technology, and improve the complete set of product series to meet the needs of different buildings and stabilize the market share.

- Diversify Market Promotion Models: Actively expand project agents and regional development partners to build an extensive business network. The Company offers exclusive, comprehensive product sets and systematic technical services tailored for industrial development, positioning itself as a supplier of integrated product systems and a provider of proprietary technical services.

b. Operational Risks

Identified Risks

- Liquidity Crisis Caused by Shrinking Business Scale: The Company's business scale has been declining year by year, and the negative effects have gradually become prominent. While revenue is decreasing, costs are difficult to reduce, and the capital return is slow, resulting in a serious shortage of the Company's liquidity, which greatly restricts daily operations and business expansion.

- Scarcity of Market Personnel's Resources: Market personnel have limited access to information, contacts, and other resources. They have obvious weaknesses in identifying potential customers, understanding competitors' dynamics, and grasping industry trends, which seriously hinders the effective progress of business and the expansion of market share.

Mitigation Measures

- Optimize Operations through Multiple Measures: Comprehensively use various means to rationally adjust the Company's asset structure, revitalize idle assets, and improve asset utilization efficiency. At the same time, strengthen capital management, optimize capital allocation, enhance the Company's ability to resist market fluctuations, and improve the liquidity dilemma.

- Expand Market Personnel's Resources: Increase the intensity of human resources recruitment, focusing on attracting professionals with rich information resources and extensive contacts in the industry. Leverage the high – quality resources brought by new members to enhance the overall strength of the market team and facilitate business development.

c. Capital Risks

Identified Risks

- Risk of Reduced Project Cash Flow: On the one hand, the continuous decrease in the number of new projects directly leads to a significant reduction in the cash inflow generated by new projects. On the other hand, the collection of payments for previous projects encounters numerous difficulties, and the collection period is constantly extended, further exacerbating the Company's tight capital situation.

- Capital Pressure Risks of Capital – Advance Projects: Facing some projects that require large – scale capital advances, the Company has to reluctantly give up these projects to avoid excessive capital pressure. Although such projects may bring potential benefits, the requirement for capital advances will tie up the Company's funds for a long time, affecting capital liquidity and normal operations, and thus missing business expansion opportunities.

Mitigation Measures

- Strengthen the Collection of Accounts Receivable: Establish a special accounts – receivable collection team. For different types of outstanding project payments, comprehensively use regular collection methods and legal litigation channels. For payments overdue for a short period, actively communicate and collect through means such as telephone calls, emails, and on – site visits. For maliciously overdue payments with no results from communication, resolutely take legal litigation measures to safeguard the Company's legitimate rights and interests and accelerate the collection of payments.

- Control the Collection of New Projects: For new ongoing projects, strictly carry out collection work according to the payment collection time nodes specified in the contract. Once the payment has not been received by the agreed time limit, immediately take corresponding measures, such as suspending some non – critical construction links, to prompt customers to pay as soon as possible and ensure the timely return of project funds.

- Optimize Project Cash Flow: Vigorously improve the operation service level, stabilize the cash flow of existing operation service projects. At the same time, actively explore the market, screen and undertake engineering projects with high returns and excellent cash flow conditions. By optimizing the project structure, improve the Company's capital situation from the source, and enhance capital reserves and risk – resistance capabilities.

Major works performed during the Reporting Period to enhance the internal control and risk management are as follows:

- Emphasize safe construction, formulate on-site work procedures, regularly provide safety training for workers, and conduct on-site inspections.

- The Board of Directors reviews quarterly based on specific financial indicators, compares performance with the budget, and monitors the implementation of business plans in various aspects and the utilization of resources.

- The Comprehensive Budget Management Committee, mainly composed of financial personnel, senior management, and independent non – executive directors, closely examines and monitors business performance based on the budget.

- The accounts-receivable special team continuously handles overdue payments, holds regular meetings, and coordinates relevant departments to carry out collection work.

- The management further revises the internal control procedures and strengthens the financial reporting process based on daily operation requirements.

- The Group's Chief Financial Officer and the internal audit team regularly report work, audit results, and opinions on the internal control and risk management system to the Audit Committee.

Corporate Governance Report

- Appropriate actions are taken to address identified internal control deficiencies, business and financial risks, and suggestions put forward by directors.

The management of the Group believes that risk management and internal control systems were effective and adequate and provided such confirmation to the Audit Committee for the Year. Furthermore, the Audit Committee has also independently reviewed the risk management and internal control systems of the Group and provided comments thereon.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Senior executives of the legal, corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior executives and confined on "need-to-know" basis. Blackout period and securities dealing restrictions notification will be sent to the relevant directors. Reminders will be given to employees possessing of inside information for preservation of confidentiality and restriction of dealing of securities of the Company. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed.

DIVIDEND POLICY

It is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors before declaring or recommending dividends:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

(e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(f) other factors that the Board may consider relevant.

The payment of dividend by the Company is also subject to any restrictions under the Cayman Islands laws and the Articles.

The Board will continually review the dividend policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition of the Group and other factors affecting the Group.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and time manner by the Board is to facilitate the shareholders as well as the investors to have better understanding in relation to the business performance, operations and strategies of the Group. Through our website at www.chyy.com.hk which allow the Company's potential and existing investors as well as the public to assess and acquire the up-to-date company and financial information.

Shareholders are provided with contact details of the Company, such as fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in the annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy during the Reporting Period and considered it to be effective.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to the Articles, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address:	8/F., Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong
Fax:	852-3753 9833
E-mail:	info@chyy.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there were no significant changes in the Company's constitutional documents.

Independent Auditor's Report

CL Partners

To the shareholders of
CHYY Development Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CHYY Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 140, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on provision, installation and maintenance of shallow geothermal energy utilisation system	
Refer to material accounting policy information in note 2.4, note 3 and note 5 to the consolidated financial statement The Group recognises revenue from provision, installation and maintenance of shallow geothermal energy utilisation system over time, using an input method in which revenue is recognised based on the proportion of actual costs incurred relative to the estimated total costs in fulfilling the relevant performance obligations. The input method involves the use of management's significant judgements and estimates, including estimates of total contract revenues, total contract costs, remaining completion costs to be incurred. In addition, revenue, cost of sales and gross profit realised on such contracts can vary from the Group's original estimates because of changes in conditions.	Our audit procedures to assess the revenue recognition on provision, installation and maintenance of shallow geothermal energy utilisation system included the following: • understanding and evaluating design and implementation key controls and processes of management for revenue recognition; • obtaining material shallow geothermal energy contracts to review the key contract terms; • assessing the contract costs incurred by sample testing supporting documents, such as payment vouchers, supporting suppliers' invoices and contracts, and performing cut-off testing procedures; • assessing the reliability of estimates made by management in the determination of estimated total contract costs by reviewing the preparation, examination and modification process; • sample testing key cost elements to material contracts, reviewing the modification of material contracts for any update on estimated total contract costs and the accuracy of prior year's budgets; • performing re-calculation of the performance progress, based on accumulative actual costs incurred relative to the estimated total contract costs and the revenues recognised on a sampling basis; and • performing analytical review procedures on the gross margins of major contracts of the Group for any material or unusual fluctuations.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of trade receivables and contract assets under expected credit losses model</td></tr>
<tr><td>Refer to material accounting policy information in note 2.4, note 3, note 21 and note 22 to the consolidated financial statements

As at 31 December 2024, the Group had trade receivables and contract assets of approximately HK$67,213,000 and HK$28,849,000, respectively.

The expected credit losses allowances of trade receivables and contract assets were recognised based on management's assessment, which involved the use of significant judgements and accounting estimates including current situations of the customers, historical payment records, legal case status and future economic conditions.

As at 31 December 2024, the expected credit losses allowances of trade receivables and contract assets are approximately to HK$152,733,000 and HK$383,366,000 respectively.

We identified the above matter as key audit matter due to the significant amounts of trade receivables and contract assets, and the estimation of the expected credit losses allowances of trade receivables and contracts assets involved significant estimation and judgement.</td><td>Our audit procedures to assess the impairment loss allowances of trade receivables and contract assets under expected credit losses model included the following:

• understanding and evaluating design and implementation key controls and processes of management's expected credit losses assessment of trade receivables and contract assets, and respective credit risk policies;

• assessing the reasonableness and appropriateness management's accounting estimates and the expected credit losses model relevant to trade receivables and contract assets by discussing with management the application of the simplified approach in calculating expected credit losses;

• challenging the assumptions used to determine the expected credit losses with the relevant economic environment, project status and legal cases status, if any;

• checking, on a sample basis, the aging profile of the trade receivables and contract assets to the underlying financial records and post year-end settlements to bank receipts;

• evaluating the appropriateness and reasonableness of the grouping of various customer segments based on our knowledge of the customers, historical settlement record, and the historical observed loss rates, if any;

• performing re-calculation of the expected credit losses allowances of trade receivables and contract assets provided by the management;

• performing sensitivity analyses for the key assumptions adopted in the expected credit losses model, including forward-looking information and considering whether there is any indication of management bias; and

• assessing the adequacy of the disclosures on the trade receivables and contract assets in the consolidated financial statements.</td></tr>
</table>

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Fair values of leasehold land and buildings and investment properties	
Refer to material accounting information in note 2.4, note 3, note 13 and note 14 to the consolidated financial statements As at 31 December 2024, the Group had significant amounts of leasehold land and buildings and investment properties amounting to approximately HK$131,762,000 and HK$120,518,000, that were measured at revalued amount and fair value respectively using significant unobservable inputs (Level 3 in the fair value hierarchy). Management engaged an independent external valuer with relevant qualifications to perform the valuation of such properties. The valuation depended on a range of estimates and assumptions, such as the analysis of the economic environment and future trend of the regions where the relevant properties were located, anticipated rentals in the future and the discount rates. The changes in estimates and assumptions would result in changes in the fair values of the respective properties.	Our audit procedures to assess the fair values of leasehold land and buildings and investment properties included the following: • assessing the objectivity, capability and competence of the independent external valuer engaged by the management; • obtaining the valuation reports and assessing the appropriateness and reasonableness of the valuation method, assumptions as well as the key valuation inputs applied, such as the prevailing market rents, market yields and comparable market transactions; • challenging with the management and the independent external valuer on the assumptions adopted in the valuation, including anticipated rentals in the future, checking input data against the current signed rental contracts, and historical and market data and benchmarking the discount rates to companies in similar industries; and • reviewing the presentation and disclosures in the consolidated financial statements regarding the fair values of the respective properties.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CL Partners CPA Limited
Certified Public Accountants

Wong Cho Yi
Practising Certificate Number: P07897
Hong Kong
26 March 2025

Consolidated Statement of Profit or Loss

Year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
REVENUE	5	**69,629**	67,860
Cost of sales		**(56,912)**	(58,601)
Gross profit		**12,717**	9,259
Other income and gains	5	**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	22	**9,732**	2,378
Impairment losses under expected credit loss model on other receivables and deposits, net	23	**(7,120)**	(1,897)
Reversal of impairment losses under expected credit loss model on contract assets, net	21	**21,183**	41,599
Finance costs	7	**(3,544)**	(4,175)
Fair value changes on investment properties	14	**(548)**	(1,499)
Other expenses and losses		**(97)**	(3,612)
Share of results of:			
A joint venture	16	**(3,434)**	2,647
Associates		**(2,051)**	1,046
PROFIT BEFORE TAX	6	**10,941**	7,091
Income tax credit (expense)	10	**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	12		
Basic and diluted (expressed in HK cents)		**0.24**	0.21

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
PROFIT FOR THE YEAR		**11,293**	4,722
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		**6,254**	(538)
Other comprehensive income (expense) that will not be reclassified to profit or loss in subsequent periods:			
Gain (loss) on property revaluation	*13*	**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
		70	(656)
Net other comprehensive income (expense) that will not be reclassified to profit or loss in subsequent periods		**2,577**	(10,286)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR, NET OF TAX		**8,831**	(10,824)
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR		**20,124**	(6,102)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**17,077**	(891)
Non-controlling interests		**3,047**	(5,211)
		20,124	(6,102)

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**139,896**	146,609
Investment properties	14	**120,518**	123,703
Right-of-use assets	15(a)	**1,102**	692
Investment in a joint venture	16	**393**	3,906
Investments in associates	17	**25,654**	28,202
Equity investments designated at fair value through other comprehensive income	18	**54,661**	55,761
Trade receivables	22	**55,332**	65,946
Deposit paid for acquisition of investment properties	23	**1,425**	1,593
Total non-current assets		**398,981**	426,412
CURRENT ASSETS			
Inventories	19	**14,067**	13,633
Properties held for sale	20	**291,984**	299,026
Trade receivables	22	**11,881**	7,090
Prepayments, other receivables and deposits	23	**53,558**	83,694
Contract assets	21	**28,849**	35,765
Equity investments designated at fair value through other comprehensive income	18	**–**	261,530
Financial assets at fair value through profit or loss	26	**4,895**	3,795
Restricted cash	27	**–**	3,712
Time deposits	27	**–**	689
Cash and cash equivalents	27	**52,586**	69,553
Total current assets		**457,820**	778,487
CURRENT LIABILITIES			
Trade payables	28	**139,369**	157,241
Other payables and accruals	29	**102,041**	415,025
Contract liabilities	21	**36,307**	38,453
Amounts due to associates	25	**17,649**	18,035
Amount due to a joint venture	25	**–**	220
Amounts due to related companies	24	**27,677**	31,203
Lease liabilities	15(b)	**9,893**	6,455
Tax payables		**135,052**	141,163
Total current liabilities		**467,988**	807,795
NET CURRENT LIABILITIES		**(10,168)**	(29,308)
TOTAL ASSETS LESS CURRENT LIABILITIES		**388,813**	397,104

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	*15(b)*	**56,493**	66,639
Deferred income	*30*	**6,479**	8,828
Deferred tax liabilities	*31*	**41,741**	43,047
Total non-current liabilities		**104,713**	118,514
Net assets		**284,100**	278,590
EQUITY			
Equity attributable to owners of the Company			
Share capital	*32*	**353,043**	353,043
Shares held for Share Award Scheme	*33*	**(8,169)**	(8,169)
Treasury shares	*32*	**(959)**	–
Other reserves	*34*	**(77,873)**	(94,950)
		266,042	249,924
Non-controlling interests		**18,058**	28,666
Total equity		**284,100**	278,590

The consolidated financial statements on pages 50 to 140 were approved and authorised for issue by the board of directors on 26 March 2025 and are signed on its behalf by:

Xu Shengheng
Director

Liao Yuan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

		Attributable to owners of the Company												
	Notes	Share capital *HK$'000*	Shares held for Share Award Scheme *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000*	Asset revaluation reserve *HK$'000*	Contributed surplus *HK$'000*	Special reserve *HK$'000*	Capital reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2023		353,043	(8,169)	906,013	5,733	38,358	154,381	7,553	85,428	(11,799)	(1,279,726)	250,815	33,877	284,692
Profit/(loss) for the year		–	–	–	–	–	–	-	–	–	9,475	9,475	(4,753)	4,722
Other comprehensive expense for the year:														
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	(656)	–	–	(656)	–	(656)
Exchange differences arising from translation of foreign operations		–	–	–	–	–	–	–	–	(344)	–	(344)	(458)	(802)
Loss on property revaluation	*13*	–	–	–	–	(9,630)	–	–	–	–	–	(9,630)	–	(9,630)
Release of exchange fluctuation reserve upon partial disposal of an associate		–	–	–	–	–	–	–	–	569	–	569	–	569
Share of other comprehensive expense of associates		–	–	–	–	–	–	–	–	(271)	–	(271)	–	(271)
Share of other comprehensive expense of a joint venture		–	–	–	–	–	–	–	–	(34)	–	(34)	–	(34)
Total comprehensive (expense)/income for the year		–	–	–	–	(9,630)	–	–	(656)	(80)	9,475	(891)	(5,211)	(6,102)
Transfer of reserve		–	–	–	5,312	–	–	–	–	–	(5,312)	–	–	–
Shares purchased for Share Award Scheme	*33*	–	(962)	–	–	–	–	–	–	–	–	(962)	–	(962)
Equity-settled share award by awarded shares	*33*	–	962	–	–	–	–	–	–	–	–	962	–	962
At 31 December 2023		353,043	(8,169)	906,013	11,045	28,728	154,381	7,553	84,772	(11,879)	(1,275,563)	249,924	28,666	278,590

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

		Attributable to owners of the Company													
	Notes	Share capital *HK$'000*	Shares held for Share Award Scheme *HK$'000*	Treasury shares *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000*	Asset revaluation reserve *HK$'000*	Contributed surplus *HK$'000*	Special reserve *HK$'000*	Capital reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2024		353,043	(8,169)	–	906,013	11,045	28,728	154,381	7,553	84,772	(11,879)	(1,275,563)	249,924	28,666	278,590
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	–	10,759	10,759	534	11,293
Other comprehensive expense for the year:															
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	–	70	–	–	70	–	70
Exchange differences arising from translation of foreign operations		–	–	–	–	–	–	–	–	–	3,663	–	3,663	1,757	5,420
Gain on property revaluation	*13*	–	–	–	–	–	2,507	–	–	–	–	–	2,507	–	2,507
Release of exchange fluctuation reserve upon deregistration of subsidiaries *(note 35)*		–	–	–	–	–	–	–	–	–	654	–	654	756	1,410
Share of other comprehensive expense of associates		–	–	–	–	–	–	–	–	–	(497)	–	(497)	–	(497)
Share of other comprehensive expense of a joint venture		–	–	–	–	–	–	–	–	–	(79)	–	(79)	–	(79)
Total comprehensive (expense)/income for the year		–	–	–	–	–	2,507	–	–	70	3,741	10,759	17,077	3,047	20,124
Deregistration of subsidiaries *(note 46)*		–	–	–	–	(355)	–	–	–	–	–	355	–	(13,655)	(13,655)
Transfer of reserve		–	–	–	–	1,887	–	–	–	–	–	(1,887)	–	–	–
Repurchase of shares	*33*	–	–	(959)	–	–	–	–	–	–	–	–	(959)	–	(959)
At 31 December 2024		353,043	(8,169)	(959)	906,013	12,577	31,235	154,381	7,553	84,842	(8,138)	(1,266,336)	266,042	18,058	284,100

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**10,941**	7,091
Adjustments for:			
Finance costs	7	**3,544**	4,175
Interest income	5	**(3,302)**	(4,876)
Gain on partial disposal of an associate	5	**–**	(938)
Gain on deregistration of subsidiaries, net	35	**(4,758)**	–
Loss on disposal of property, plant and equipment	6	**–**	1,423
Dividend income from equity investments designated at fair value through other comprehensive income	5	**(2,512)**	(1,298)
Depreciation of property, plant and equipment	6	**6,437**	6,881
Depreciation of right-of-use assets	6	**829**	821
Fair value changes on financial assets at fair value through profit or loss	5/6	**(1,477)**	289
Changes in fair value of investment properties		**548**	1,499
Reversal of impairment losses under expected credit loss model on contract assets, net		**(21,183)**	(41,599)
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
Impairment losses on properties held for sale		**658**	600
Impairment losses on property, plant and equipment		**–**	3,519
Impairment losses/write off of inventories		**–**	619
Income from exempted payables	5	**(12,386)**	(7,928)
Share of results of associates		**2,051**	(1,046)
Share of results of a joint venture		**3,434**	(2,647)
Operating cash flows before movements in working capital		**(19,788)**	(33,896)
(Increase)/decrease in inventories		**(1,150)**	1,356
Decrease in trade receivables		**14,059**	15,338
Decrease/(increase) in prepayments, other receivables and deposits		**2,065**	(2,089)
Decrease in contract assets		**27,428**	34,371
Decrease in trade payables		**(10,176)**	(32,139)
(Decrease)/increase in other payables and accruals		**(30,335)**	12,409
(Decrease)/increase in contract liabilities		**(1,809)**	5,555
Decrease in amounts due to associates		**–**	(64)
Decrease in amounts due to a joint venture		**(220)**	–
Increase in amounts due to related companies		**20**	3,248
Cash flows (used in) from operations		**(19,906)**	4,089
Income tax paid		**(3,046)**	(31)
Net cash flows (used in) from operating activities		**(22,952)**	4,058

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,302**	4,876
Dividend income from equity investments designated at fair value through other comprehensive income		**2,512**	1,298
Proceeds from partial disposal an associate		**–**	1,958
Release of restricted cash		**3,712**	343
Release of time deposits		**689**	18,771
Purchase of property, plant and equipment		**(296)**	–
Consideration receivable received		**3,085**	–
Purchase of financial assets at fair value through profit or loss		**–**	(1,204)
Net cash flows from investing activities		**13,004**	26,042
CASH FLOWS USED IN FINANCING ACTIVITIES			
Principal portion of lease payments	*36*	**(6,620)**	(6,460)
Interest paid		**(3,544)**	(4,175)
Payments for repurchase of shares		**(959)**	–
Net cash flows used in financing activities		**(11,123)**	(10,635)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(21,071)**	19,465
Cash and cash equivalents at beginning of year		**69,553**	47,043
Effect of foreign exchange rate changes, net		**4,104**	3,045
CASH AND CASH EQUIVALENTS AT END OF YEAR		**52,586**	69,553
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*27*	**52,127**	69,365
Cash held at non-bank financial institutions	*27*	**459**	188
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows		**52,586**	69,553

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 disclosed in the "Corporate Information" section and the ultimate beneficial owner of the Company are disclosed in the "Report of the Directors" section in this annual report.

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share/ paid up capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CGSE Ever Source Group Limited	British Virgin Islands	US dollars ("US$") 166,667	100 (2023: 100)	–	Investment holding and trading of securities
Ever Source Science & Technology Co., Ltd.* (i) (ii) ("北京恒有源科技有限公司")	People's Republic of China ("PRC")	US$3,000,000	–	100 (2023: 100)	Technical know-how holding
Beijing Ever Source Geothermal Technology Service Co., Ltd.* (ii) ("北京恒有源地能熱冷技術服務有限公司")	PRC	Renminbi ("RMB") 3,000,000	–	100 (2023: 100)	Property management and technical support service
Ever Source Science & Technology Development Group Co., Ltd.* (i) (ii) ("恒有源科技發展集團有限公司", "HYY")	PRC	RMB239,188,502	–	100 (2023: 100)	Production and sale of geothermal energy systems
Beijing Ever Source Environmental System Installation Limited* (ii) ("北京恒有源環境系統設備安裝工程有限公司")	PRC	RMB50,000,000	–	100 (2023: 100)	Installation of energy systems
Heng Run Feng Reality (Dalian) Company Ltd.* (i) (ii) ("恒潤豐置業(大連)有限公司")	PRC	US$12,000,000	–	100 (2023: 100)	Property investment and development
Hong Yuan Ground Source Heating Device Technology Co., Ltd.* (ii) ("宏源地能熱寶技術有限公司") Deregistered on 5 February 2024 (Note 35)	PRC	RMB50,000,000	–	– (2023: 51)	Sale of air conditioning/ shallow geothermal heat pump products

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

(i) The subsidiaries are wholly-foreign-owned enterprises established in the PRC.

(ii) The subsidiaries are registered as companies with limited liability under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "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.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities (including structured entities controlled by the Company and its subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

Notes to Consolidated Financial Statements

31 December 2024

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the respective subsidiaries upon liquidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences previously recognised in other comprehensive income released from equity to profit or loss; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting gain or loss on derecognition of subsidiary in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained in the former subsidiary at the date when control is lost to regard as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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	*Amendments to the Classification and Measurement of Financial Instruments*[3]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS Accounting Standards	*Annual Improvements to HKFRS Accounting Standards – Volume 11*[3]
Amendments to HKAS 21	*Lack of Exchangeability*[2]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referring Nature – dependent Electricity*[3]
HKFRS 18	*Presentation and Disclosure in Financial Statements*[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 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.

HKFRS 18, and amendments to other standards, will 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.

Notes to Consolidated Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICY INFORMATION

Investments in associates and a joint venture

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any differ accounting policies of associates and a joint venture that may exist to those of the Group. The Group's share of the post-acquisition results and other comprehensive income of associates and the joint venture is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses resulting from transactions between the Group and its associates or the joint venture are eliminated to the extent of the Group's investments in the associates or the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Any excess of the cost of the investment over Group's share of fair value of identifiable assets and liabilities at acquisition date, is recognised as goodwill. Goodwill arising from the acquisition of associates or the joint venture is included as part of the Group's investments in associates or the joint venture.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investments in associates and a joint venture *(Continued)*

In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures and recognises any retained investment at its fair value at that date and the fair value is regarded as its fair value on initial recognition. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date at a market which is directly observable and taken into account the characteristics of assets or liabilities when pricing the assets or liabilities at measurement date. Otherwise, fair value is determined using another valuation techniques.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments, investment properties, and leasehold land and buildings which are stated at revalued amounts and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation techniques is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the whether the inputs are observable and lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to Consolidated Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between leasehold land and the building elements in the proportion to the relative fair values at initial recognition. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount at the reporting date. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve in other comprehensive income. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to accumulated losses as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Categories	**Estimated useful lives**
Leasehold land and buildings	50 years or over the lease terms, whichever is shorter
Leasehold improvements	5 years or over the lease terms, whichever is shorter
Plant and machinery	8 to 20 years
Computer equipment	4 to 8 years
Office equipment, furniture and fixtures	4 to 5 years
Motor vehicles	5 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, estimated useful lives and the depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basic.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period which the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Notes to Consolidated Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the differences between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment " above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, properties held for sale, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined on an individual basis, unless the asset does not generate cash inflows individually, and the assets are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable), and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease based on the definition under HKFRS 16 *Leases*. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, if any, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised at initial measurement, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the leased property of 50 years.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of unpaid lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease.

Notes to Consolidated Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

(b) *Lease liabilities (Continued)*

In calculating the present value of unpaid lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term or another systematic basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are classified as operating leases, otherwise, they are classified as finance leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the recognition exemption under HKFRS 16, the Group classifies the sublease as an operating lease.

The Group uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease if the interest rate implicit in the sublease cannot be readily determined.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial assets

Initial recognition and measurement

Financial assets are recognised at fair value on initial recognition when a group equity becomes a party to the contractual provisions of the instrument and are classified, either subsequently (i) measured at amortised cost, or (ii) at fair value through other comprehensive income ("FVTOCI"), or (iii) at fair value through profit or loss ("FVTPL").

The Group classified its financial assets, depending on the Group's business model for managing the financial assets and the contractual terms of the related cash flows, under the following measurement categories:

– Those to be measured at amortised cost; and

– Those to be measured at fair value (either through other comprehensive income, or through profit or loss)

At initial recognition, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*, the Group measures a financial asset at its fair value plus, in case of a financial asset not measured at FVTPL, transaction costs that are directly attributable to the acquisition of a financial asset. Transaction costs of financial assets measured at FVTPL are expensed in profit or loss immediately when incurred.

(i) The Group's financial assets measured at amortised cost represent those financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) For equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for these equity investments at FVTOCI.

(iii) Financial assets that do not meet the criteria for amortised cost or are not elected or classified as FVTOCI are classified as FVTPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Notes to Consolidated Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments) *(Continued)*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Equity instruments designated at FVTOCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVTOCI and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains or loss arising from changes in fair value recognised in other comprehensive income and accumulated in the capital reserve.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at FVTOCI are not subject to impairment assessment.

The cumulated gains or losses on capital reserve are transferred to accumulated losses upon disposal of such equity instruments.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on equity investments classified as financial assets at FVTPL are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the contractual rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The measurement of expected credit loss ("ECL") is a function of the probability of default, loss given default (i.e. magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Notes to Consolidated Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– An actual or expected significantly deterioration in the financial instrument's external (if available) or internal credit rating;

– Significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtors;

– Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– An actual or expected significant deterioration in the operating results of the debtors; an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Despite the foregoing, the Group assumes that the credit risk on a debt instruments has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

General approach *(Continued)*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets, and lease receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets, and lease receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component, and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Lifetime ECL for trade receivables and contract assets, and lease receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping, including past-due status, nature, size and industry of debtors; and external credit ratings, if available.

Notes to Consolidated Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

Simplified approach *(Continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in foreign currency is determined in that foreign currency and translated at the sport rate tat the end of each reporting period. Specifically,

– for financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the "Other income and gains" or "Other expenses and losses" line item as part of the net foreign exchange gains/losses;

– for financial assets measured at FVTPL, exchange differences are recognised in profit or loss in "Other income and gains" or "Other expenses and losses" line items as part of the fair value gain (losses) from changes in fair value of financial assets at FVTPL;

– For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the capital reserve.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when a group entity becomes a party to the contractual provision of the instruments and are classified, at initial recognition, as at amortised cost.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and amounts due to associates and a joint venture and related companies.

Financial liabilities at amortised cost

After initial recognition, all financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other income and gains" or "Other expenses and losses" line items in the profit or loss as "net foreign exchange gains or losses".

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Contingent liabilities

A contingent liability is a present obligation arising from the past events but is not recognised because is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Notes to Consolidated Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties held for sale

Properties held for sale which are intended to be sold are classified as current assets. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax expense comprises current and deferred income tax expense. Income tax relating to items recognised in other comprehensive income or directly in equity in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates. Taxable profits differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax is provided for all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and at the time of the transaction does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and at the time of the transaction does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and there will be sufficient taxable profit available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to Consolidated Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the grants are recognised as deferred income in the consolidated statement of financial position at initial recognition and is released to profit or loss on a systematic and rational basis over the expected useful life of the relevant asset.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue recognition *(Continued)*

(a) Sale of industrial products

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

Some contracts for the sale of industrial products provide customers with rights of return which gives rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(b) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer that the Group has transferred to a customer that is not yet unconditional before the customer pays consideration or before payment is due. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Retirement benefit costs

Payments to defined contribution benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense on a straight-line basis over the vesting period, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

For shares awards that vest immediately at the date of grant, the fair value of the share awards granted is expensed immediately to profit or loss.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars ("HK$") which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using its functional currency. Foreign currency transactions recorded by the entities in their individual's financial statements are initially recorded using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the reporting period. Differences arising on settlement or retranslation of monetary items are recognised in profit or loss in the period which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and are not retranslated. Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the respective item (i.e., whose fair value gain or loss is recognised in other comprehensive income or profit or loss respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

At the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the exchange rates prevailing at the end of the reporting period and profit or loss items are translated at the average exchange rates that approximate for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve (attributable to non-controlling interests as appropriate). On disposal of a foreign operation, all of the exchange differences accumulated in other comprehensive income relating to that particular foreign operation attributable to the owners of the Company is reclassified to in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars ("HK$") at the weighted average exchange rates for the year.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Notes to Consolidated Financial Statements

31 December 2024

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY *(Continued)*

Critical judgements

In the process of applying the Group's accounting policies described in Note 2, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Determining the method to estimate variable consideration and assessing the constraint for construction services

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

(ii) Determining the timing of satisfaction of construction services

The Group concluded that revenue from construction services is recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The Group determined that the input method is the best method in measuring the progress of the construction services because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the costs incurred relative to the total expected costs to complete the services.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimation of fair value of investment properties and leasehold land and buildings

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amounts of investment properties and leasehold land and buildings which under revaluation amount as at 31 December 2024 were approximately HK$120,518,000 (2023: approximately HK$123,703,000) and approximately HK$131,762,000 (2023: approximately HK$136,552,000), respectively. Further details, including the key assumptions used for fair value measurement, are given in notes 14 and 13 to the consolidated financial statements.

Provision for ECLs on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, aging, customer type and external credit rating, if any).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Notes to Consolidated Financial Statements

31 December 2024

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Provision for ECLs on trade receivables and contract assets *(Continued)*

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 22 and 21 to the consolidated financial statements, respectively.

4. 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 payables 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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2024	Shallow geothermal energy HK$'000	Air conditioning/ shallow geothermal heat pump HK$'000	Property investment and development HK$'000	Securities investment and trading HK$'000	Total HK$'000
Segment revenue					
Sales to external customers	62,918	709	6,002	–	69,629
Intersegment sales	–	–	5,979	–	5,979
	62,918	709	11,981	–	75,608
Reconciliation:					
Elimination of intersegment sales					(5,979)
Revenue					69,629
Segment results	3,283	(3,412)	7,614	87	7,572
Reconciliation:					
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
Segment assets	292,288	6	480,181	60,019	832,494
Reconciliation:					
Elimination of intersegment receivables					(54,326)
Corporate and other unallocated assets					78,633
Total assets					856,801
Segment liabilities	304,102	–	89,650	11,156	404,908
Reconciliation:					
Elimination of intersegment payables					(54,326)
Corporate and other unallocated liabilities					222,119
Total liabilities					572,701

Notes to Consolidated Financial Statements

31 December 2024

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2024	Shallow geothermal energy HK$'000	Air conditioning/ shallow geothermal heat pump HK$'000	Property investment and development HK$'000	Securities investment and trading HK$'000	Total HK$'000
Other segment information:					
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

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

Notes to Consolidated Financial Statements

31 December 2024

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2023	Shallow geothermal energy *HK$'000*	Air conditioning/ shallow geothermal heat pump *HK$'000*	Property investment and development *HK$'000*	Securities investment and trading *HK$'000*	Total *HK$'000*
Other segment information:					
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 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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

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 year is shown in the following table:

	2024	2023
	HK$'000	*HK$'000*
Customer A	**N/A***	7,130
	N/A	7,130
Total revenue	**69,629**	67,860
Proportion of revenue	**N/A**	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.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

Notes to Consolidated Financial Statements

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2024

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

For the year ended 31 December 2023

	Shallow geothermal energy *HK$'000*	Air conditioning/ shallow geothermal heat pump *HK$'000*	Total *HK$'000*
Types of goods or services:			
Sale of industrial products	–	1,014	1,014
Construction services	61,198	–	61,198
Total revenue from contracts with customers	61,198	1,014	62,212
Timing of revenue recognition:			
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	61,198	1,014	62,212

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) Disaggregated revenue information *(Continued)*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024	2023
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction services	**17,952**	12,248

(b) Performance obligations

Information about the Group's performance obligations are summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 90 days from delivery. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The construction services are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the services performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.

All the amounts of transaction prices allocated to the performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Notes to Consolidated Financial Statements

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

	2024	2023
	HK$'000	*HK$'000*
Other income		
Interest income	**3,302**	4,876
Sale of scrap materials	**219**	268
Government grants *(note 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 *(note ii)*	**12,386**	7,928
Others	**865**	423
	20,391	15,878
Other gains		
Gain on deregistration of subsidiaries, net *(note 35)*	**4,758**	–
Gain on partial disposal of an associate *(note 17)*	**–**	938
Fair value gain on financial assets at fair value through profit or loss	**1,477**	–
	6,235	938
	26,626	16,816

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.

6. PROFIT BEFORE TAX

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

	Notes	2024 HK$'000	2023 HK$'000
Cost of inventories sold		**287**	1,812
Cost of services provided		**56,625**	56,789
Depreciation of property, plant and equipment	*13*	**6,437**	6,881
Depreciation of right-of-use assets	*15(a)*	**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 disclosed in note 8):			
Wages and salaries		**26,533**	32,692
Pension scheme contributions		**2,382**	3,660
		28,915	36,352
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*		**–**	1,423

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 HK$'000	2023 HK$'000
Interest on other borrowing *(note 29)*	**397**	727
Interest on lease liabilities *(note 15(b))*	**3,147**	3,448
	3,544	4,175

Notes to Consolidated Financial Statements

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 *HK$'000*	2023 *HK$'000*
Fees	**510**	650
Other emoluments:		
Salaries, allowances and benefits in kind	**4,556**	5,419
Equity-settled share award expense	**–**	702
Pension scheme contributions	**43**	54
	4,599	6,175
	5,109	6,825

During the year ended 31 December 2023, certain directors were granted share award in respect of their services to the Group under the share award scheme of the Company, further details of which are set out in note 33 to the consolidated financial statements. The fair value of such award was determined as at the date of grant and the amount included in the consolidated financial statements for the year ended 31 December 2023 is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees *HK$'000*	Equity-settled share award expense *HK$'000*	Total remuneration *HK$'000*
2024			
Mr. Wu Qiang	**170**	**–**	**170**
Mr. Guan Chenghua	**170**	**–**	**170**
Mr. Zhang Honghai *(note (3))*	**170**	**–**	**170**
	510	**–**	**510**
2023			
Mr. Wu Qiang	170	78	248
Mr. Jia Wenzeng *(note (1))*	143	78	221
Mr. Wu Desheng *(note (2))*	143	78	221
Mr. Guan Chenghua	170	78	248
Mr. Zhang Honghai *(note (3))*	24	–	24
	650	312	962

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors and the chief executive

	Salaries, allowances and benefits in kind *HK$'000*	Equity-settled share award expense *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2024				
Chief executive:				
Mr. Yang Mingzhong	723	–	17	740
	723	–	17	740
Executive directors:				
Ms. Chan Wai Kay, Katherine *(note (6))*	641	–	8	649
Mr. Zhang Wei *(note (7))*	382	–	–	382
Mr. Xu Shengheng	2,500	–	18	2,518
Mr. Dai Qi	130	–	–	130
	3,653	–	26	3,679
Non-executive directors:				
Ms. Liu Ening	60	–	–	60
Mr. Zhang Yiying	60	–	–	60
Mr. Liao Yuan	60	–	–	60
	180	–	–	180
	4,556	–	43	4,599

Notes to Consolidated Financial Statements

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors and the chief executive *(Continued)*

	Salaries, allowances and benefits in kind *HK$'000*	Equity-settled share award expense *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2023				
Chief executive:				
Mr. Yang Mingzhong	916	–	18	934
	916	–	18	934
Executive directors:				
Ms. Chan Wai Kay, Katherine *(note (6))*	1,650	117	18	1,785
Mr. Xu Shengheng	2,500	117	18	2,635
Mr. Dai Qi	173	–	–	173
	4,323	234	36	4,593
Non-executive directors:				
Ms. Liu Ening	60	78	–	138
Mr. Yang Wei *(note (4))*	31	–	–	31
Mr. Zhang Yiying	60	78	–	138
Mr. Liao Yuan *(note (5))*	29	–	–	29
	180	156	–	336
	5,419	390	54	5,863

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors and the chief executive *(Continued)*

Notes:

(1) Mr. Jia Wenzeng resigned as independent non-executive director with effective on 4 November 2023.

(2) Mr. Wu Desheng resigned as independent non-executive director with effective on 4 November 2023.

(3) Mr. Zhang Honghai was appointed as independent non-executive director with effective on 10 November 2023.

(4) Mr. Yang Wei resigned as non-executive director with effective on 5 July 2023.

(5) Mr. Liao Yuan was appointed as non-executive director with effective on 5 July 2023.

(6) Ms. Chan Wai Kay, Katherine retired as executive director with effective on 7 June 2024.

(7) Mr. Zhang Wei was appointed as executive director with effective on 28 March 2024 and resigned as effective executive director with effective on 21 October 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2023: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of two (2023: three) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2024	2023
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,070**	2,550
Pension scheme contributions	**18**	36
	2,088	2,586

Notes to Consolidated Financial Statements

31 December 2024

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2024	2023
Nil to HK$1,000,000	**1**	3
HK$1,000,001–HK$1,500,000	**1**	–
	2	3

10. 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	2023
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
– Current	–	3,801
– Overprovision in prior years	**(51)**	–
Deferred taxation *(note 31)*	**(301)**	(1,432)
Income tax (credit) expense for the year	**(352)**	2,369

10. INCOME TAX (CREDIT) EXPENSE *(Continued)*

A reconciliation of taxation applicable to profit before tax at statutory tax rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2024 HK$'000	2023 HK$'000
Profit before tax	**10,941**	7,091
Tax at statutory tax rate of 25%	**2,735**	1,773
Tax effect of share of results of a joint venture and associates	**1,371**	(923)
Tax losses utilised from previous periods	**(6,401)**	(2,354)
Income not subject to tax	**(1,334)**	(553)
Expenses not deductible for tax	**4,185**	6,915
Special deduction of research and development costs	**–**	(350)
Utilisation of deductible temporary differences previously not recognised	**(3,408)**	(9,747)
Tax losses and deductible temporary differences not recognised	**2,551**	7,659
Over-provision in prior years	**(51)**	–
Tax effect of income concessionary rate	**–**	(51)
Income tax (credit) expense for the year	**(352)**	2,369

11. 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).

12. EARNINGS PER SHARE

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

	2024 HK$'000	2023 HK$'000
Profit attributable to owners of the Company	**10,759**	9,475

	Number of shares	
	2024 *'000*	2023 *'000*
Shares		
Weighted average number of ordinary shares (excluding treasury shares) used in the basic and diluted earnings per share calculations	**4,523,200**	4,526,925

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.

Notes to Consolidated Financial Statements

31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2024							
At 1 January 2024:							
Cost or valuation	136,552	3,617	83,127	3,219	12,796	8,142	247,453
Accumulated depreciation and impairment	–	(3,600)	(74,114)	(3,151)	(12,056)	(7,923)	(100,844)
Net carrying amount	136,552	17	9,013	68	740	219	146,609
At 1 January 2024, net of accumulated depreciation and impairment	136,552	17	9,013	68	740	219	146,609
Additions	–	–	–	44	–	252	296
Depreciation provided during the year	(4,406)	–	(1,978)	(13)	(2)	(38)	(6,437)
Revaluation	2,507	–	–	–	–	–	2,507
Exchange realignment	(2,891)	(1)	(169)	(4)	(6)	(8)	(3,079)
At 31 December 2024, net of accumulated depreciation and impairment	131,762	16	6,866	95	732	425	139,896
At 31 December 2024:							
Cost or valuation	131,762	3,602	81,036	3,202	12,672	8,319	240,593
Accumulated depreciation and impairment	–	(3,586)	(74,170)	(3,107)	(11,940)	(7,894)	(100,697)
Net carrying amount	131,762	16	6,866	95	732	425	139,896

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Computer equipment	Office equipment, furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2023							
At 1 January 2023:							
Cost or valuation	154,965	3,627	90,935	3,260	12,796	9,570	275,153
Accumulated depreciation and impairment	–	(3,609)	(78,370)	(3,170)	(12,039)	(9,292)	(106,480)
Net carrying amount	154,965	18	12,565	90	757	278	168,673
At 1 January 2023, net of accumulated depreciation and impairment	154,965	18	12,565	90	757	278	168,673
Disposals	–	–	(1,370)	–	–	(53)	(1,423)
Depreciation provided during the year	(4,827)	–	(2,027)	(20)	(5)	(2)	(6,881)
Revaluation	(9,630)	–	–	–	–	–	(9,630)
Impairment loss recognised in profit or loss	(3,519)	–	–	–	–	–	(3,519)
Exchange realignment	(437)	(1)	(155)	(2)	(12)	(4)	(611)
At 31 December 2023, net of accumulated depreciation and impairment	136,552	17	9,013	68	740	219	146,609
At 31 December 2023:							
Cost or valuation	136,552	3,617	83,127	3,219	12,796	8,142	247,453
Accumulated depreciation and impairment	–	(3,600)	(74,114)	(3,151)	(12,056)	(7,923)	(100,844)
Net carrying amount	136,552	17	9,013	68	740	219	146,609

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by CHFT Advisory and Appraisal Limited (2023: CHFT Advisory and Appraisals Limited), an independent external valuer, estimated at fair value of approximately HK$131,762,000 (2023: approximately HK$136,552,000) based on their existing use.

Notes to Consolidated Financial Statements

31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold land and buildings:

	Fair value measurement as at 31 December 2024 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Office buildings, the PRC	–	–	**131,762**	**131,762**

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Office buildings, the PRC	–	–	136,552	136,552

During both years, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Office buildings in the PRC
	HK$'000
Carrying amount at 1 January 2023	154,965
Depreciation provided during the year	(4,827)
Exchange realignment	(437)
Impairment losses recognised in profit or loss	(3,519)
Revaluation recognised in other comprehensive income	(9,630)
Carrying amount at 31 December 2023 and 1 January 2024	136,552
Depreciation provided during the year	(4,406)
Exchange realignment	(2,891)
Revaluation recognised in other comprehensive income	2,507
Carrying amount at 31 December 2024	131,762

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Fair value hierarchy *(Continued)*

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of leasehold land and buildings:

Carrying value of leasehold land and buildings held by the Group	Valuation techniques	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Office buildings, the PRC	Income approach (2023: income approach)	Market yield of 6.30% (2023: 6.00%)	An increase in the market yield would result in a decrease in fair value
		Market unit rent of RMB4.27 (2023: RMB4.32) per sq.m. per day	An increase in the market unit rent would result in an increase in fair value

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and accumulated impairment, if any, of approximately HK$107,426,000 (2023: approximately HK$110,991,000).

14. INVESTMENT PROPERTIES

	2024	2023
	HK$'000	*HK$'000*
Carrying amount at 1 January	**123,703**	127,001
Exchange realignment	**(2,637)**	(1,799)
Fair value changes	**(548)**	(1,499)
Carrying amount at 31 December	**120,518**	123,703

As at 31 December 2024, the Group was in the process of obtaining the ownership certificates for investment properties of a carrying amount of approximately HK$120,518,000 (2023: approximately HK$123,703,000). In the opinion of the directors of the Company, the absence of a formal title to these properties does not cause the impairment of their values to the Group as the Group has paid the full purchase consideration of these properties and the probability of being evicted on the ground of the absence of a formal title is remote.

The Group's investment properties consist of industrial and ancillary properties, based on the nature, characteristics and risks of each property. The Group's investment properties were measured at fair value on 31 December 2024 based on valuations performed by an independent external valuer, CHFT Advisory and Appraisal Ltd (2023: CHFT Advisory and Appraisals Limited).

Some investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the consolidated financial statements.

Notes to Consolidated Financial Statements

31 December 2024

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2024 using			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1)** *HK$'000*	**Significant observable inputs (Level 2)** *HK$'000*	**Significant unobservable inputs (Level 3)** *HK$'000*	**Total** *HK$'000*
Industrial and ancillary properties	–	–	**120,518**	**120,518**

	Fair value measurement as at 31 December 2023 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Industrial and ancillary properties	–	–	123,703	123,703

The reconciliation of Level 3 fair value measurements of investment properties on recurring basis is as follows:

	Industrial and ancillary properties *HK$'000*
At 1 January 2023	–
Transfers into Level 3	127,001
Fair value changes	(1,499)
Exchange realignment	(1,799)
At 31 December 2023	123,703
Fair value changes	(548)
Exchange realignment	(2,637)
At 31 December 2024	120,518

Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency. During the year ended 31 December 2023, the investment properties were transferred from Level 2 to Level 3 of the fair value hierarchy due to a lack of observable market transactions and price information.

There were no transfers between levels of fair value hierarchy during the year ended 31 December 2024.

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Carrying value of investment properties held by the Group	**Valuation techniques**	**Significant unobservable inputs**	**Relationship of significant unobservable inputs to fair value**
Industrial and ancillary properties in the PRC	Income approach (2023 : Income approach)	Market yield of 2.50% (2023: 5.00%)	An increase in the market yield would result in a decrease in fair value
		Market unit rent of RMB0.60 (2023: RMB1.30) per sq.m. per day	An increase in the market unit rent would result in an increase in fair value

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of property used in its operations. Leases of property generally have lease terms between 1 and 30 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leased properties *HK$'000*
As at 1 January 2023	1,523
Depreciation provided during the year	(821)
Exchange realignment	(10)
As at 31 December 2023 and 1 January 2024	692
Addition	1,257
Depreciation provided during the year	(829)
Exchange realignment	(18)
As at 31 December 2024	1,102

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2024 **HK$'000**	2023 *HK$'000*
Carrying amount at 1 January	**73,094**	80,646
New lease	**1,257**	–
Accretion of interest recognised during the year	**3,147**	3,448
Payments	**(9,767)**	(9,908)
Exchange realignment	**(1,345)**	(1,092)
Carrying amount at 31 December	**66,386**	73,094
Analysed into:		
Current portion	**9,893**	6,455
Non-current portion	**56,493**	66,639
	66,386	73,094

The maturity analysis of lease liabilities is disclosed in note 43 to the consolidated financial statements.

During the year ended 31 December 2024, addition to right-of-use assets represents renew the lease of office premise in Hong Kong for a lease term for a fixed period of 2 years.

Notes to Consolidated Financial Statements

31 December 2024

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities (Continued)

The lease liabilities included sublease arrangement that the Company has entered into with 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 finance lease receivables under trade receivables (note 22) at the sublease commencement date, continued to account for the original lease liability in accordance with the lessee accounting model.

The Group as a lessor

The Group leases its investment properties consisting of two industrial properties in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was approximately HK$6,002,000 (2023: approximately HK$5,648,000), details of which are included in note 5 to the consolidated financial statements.

At 31 December 2024 and 2023, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024	2023
	HK$'000	*HK$'000*
Within one year	**5,743**	5,623
After one year but within two years	**5,945**	5,816
After two years but within three years	**6,159**	6,021
After three years but within four years	**4,426**	6,238
After four years but within five years	**4,371**	4,483
After five years	**7,457**	11,979
	34,101	40,160

16. INVESTMENT IN A JOINT VENTURE

	2024	2023
	HK$'000	*HK$'000*
Investment in a joint venture	**393**	3,906

The Group's other payable balances due to a joint venture are disclosed in note 25 to the consolidated financial statements.

16. INVESTMENT IN A JOINT VENTURE *(Continued)*

Particulars of the Group's joint venture as at 31 December 2024 and 2023 are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Zhejiang Wanhe Energy and Technology Co., Ltd.* ("浙江萬合能源環境科技有限公司") ("Zhejiang Wanhe")	Registered capital of RMB12,779,000	PRC	33.22	33.22	33.22	Exploration and development of energy resources

* The English name of the company registered in the PRC represents the best efforts of management of the Company in directly translating the Chinese name of the company as no English name has been registered.

The following table illustrates the financial information of Zhejiang Wanhe:

	2024 HK$'000	2023 HK$'000
Current assets	**21,851**	27,183
Non-current assets	**9,836**	10,615
Current liabilities	**(29,092)**	(24,742)
Net assets	**2,595**	13,056
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**33%**	33%
Group's share of net assets of the joint venture, excluding goodwill	**862**	4,337
Other	**(469)**	(431)
Carrying amount of the investment	**393**	3,906
Revenue	**86,856**	86,309
(Loss) profit for the year	**(10,337)**	7,968
Other comprehensive expense	**(238)**	(102)
Total comprehensive (expense) income for the year	**(10,575)**	7,866

	2024 HK$'000	2023 HK$'000
Share of the joint venture's (loss) profit for the year	**(3,434)**	2,647
Share of the joint venture's other comprehensive expense	**(79)**	(34)
Share of the joint venture's total comprehensive (expense) income	**(3,513)**	2,613

Notes to Consolidated Financial Statements

31 December 2024

17. INVESTMENTS IN ASSOCIATES

	2024	2023
	HK$'000	*HK$'000*
Share of net assets	**25,172**	27,720
Goodwill on acquisition	**482**	482
	25,654	28,202

Particulars of the Group's associates as at 31 December 2024 and 2023 are as follows:

Name	**Particulars of issued shares**	**Place of incorporation/ registration and business**	**Percentage of ownership interest attributable to the Group**		**Principal activities**
			2024	2023	
Beijing Ever Hot Pumps Co., Ltd.* ("BEHP", "北京永源熱泵有限責任公司")	Registered capital of RMB52,556,871	PRC	**49**	49	Production and sale of machines and shallow geothermal energy systems
Hongyuan Shallow Ground Heat Pump Technology Co., Ltd.* ("HSG", "宏源地能熱泵科技有限公司") *(note)*	Registered capital of RMB50,000,000	PRC	**15**	15	Trading of the shallow geothermal energy systems

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

Note:

During the year ended 31 December 2023, the Group disposed its holding of 34% equity interest of HSG, with a consideration of RMB19,618,000 (equivalent to approximately HK$21,379,000) to the shareholder of the associate and the Group's equity interest in HSG was decreased from 49% to 15% without changes in composition of the board of directors of the associate, thus no changes in significant influence over HSG, resulting in a gain on partial disposal of approximately HK$938,000. Immediately upon completion of the disposal, HSG continued to be classified as an associate. The balances are settled in full during the year ended 31 December 2024. Details are disclosed in note 46(b).

17. INVESTMENTS IN ASSOCIATES *(Continued)*

BEHP and HSG, which are considered as material associates of the Group, are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of BEHP adjusted for any differences in accounting policies with the Group and reconciled to the carrying amount in the consolidated financial statements:

	2024	2023
	HK$'000	*HK$'000*
Current assets	**46,927**	57,333
Non-current assets	**2,524**	2,757
Current liabilities	**(22,241)**	(25,690)
Non-current liabilities	**(26)**	–
Net assets	**27,184**	34,400
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate, excluding goodwill	**13,320**	16,856
Goodwill on acquisition (less cumulative impairment)	**482**	482
Carrying amount of the investment	**13,802**	17,338
Revenue	**14,017**	16,791
Loss for the year	**(6,765)**	(5,938)
Other comprehensive expense	**(451)**	(412)
Total comprehensive expense for the year	**(7,216)**	(6,350)

The following table illustrates the summarised financial information in respect of HSG adjusted for any differences in accounting policies with the Group and reconciled to the carrying amount in the consolidated financial statements:

	2024	2023
	HK$'000	*HK$'000*
Current assets	**712,500**	282,562
Non-current assets	**128,620**	29,985
Current liabilities	**(685,389)**	(238,938)
Non-current liabilities	**(75,537)**	(3)
Net assets	**80,194**	73,606
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**15%**	15%
Group's share of net assets of the associate, excluding goodwill	**12,029**	11,041
Other	**(177)**	(177)
Carrying amount of the investment	**11,852**	10,864
Revenue	**1,728,702**	627,200
Profit for the year	**8,425**	17,521
Other comprehensive expense	**(1,837)**	(98)
Total comprehensive income for the year	**6,588**	17,423

Notes to Consolidated Financial Statements

31 December 2024

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024	2023
	HK$'000	*HK$'000*
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Beijing Hisign Technology Co., Ltd.	**473**	789
China Asset Management – Ever Source overseas oriented asset management plan	**54,188**	54,972
	54,661	55,761
Unlisted equity investments, at fair value		
Beijing Life Insurance Co., Ltd. *(note)*	**–**	261,530
	54,661	317,291
Less: Non-current portion	**(54,661)**	(55,761)
Current portion	**–**	261,530

The above equity investments were irrevocably designated at fair value through other comprehensive income as the directors of the Company considers these investments to be strategic in nature. During the year ended 31 December 2024, no dividend has been received (2023: approximately HK$1,298,000 and recognised in "other income" in profit or loss).

Note: On 13 November 2020, Ever Source Investment Management Co., Ltd.（恒有源投資管理有限公司）("Ever Source Investment"), an indirect wholly owned subsidiary of the Company, entered into equity transfer agreements to sell approximately 4.99965% of equity interests in Beijing Life Insurance Co., Ltd. ("Beijing Life") for a cash consideration of RMB237,000,000 ("Equity Transfer Agreement"). At the extraordinary general meeting held on 19 February 2021, the Company passed the ordinary resolution in respect of the Equity Transfer Agreement.

In November 2021, Ever Source Investment received a civil complaint from Shanghai Gangze Trading Company Limited*（上海港澤貿易有限公司）("Shanghai Gangze") against Ever Source Investment and Beijing Rungu Investment Co., Ltd.（北京潤古投資有限公司）("Beijing Rungu"), requesting Beijing First Intermediate People's Court to (i) order the termination of the Equity Transfer Agreement and the supplemental equity transfer agreement; (ii) order Ever Source Investment to return the equity transfer amount of RMB237,000,000 to Shanghai Gangze and compensate for the provisional interest loss of RMB8,217,995.83, totaling RMB245,217,995.83; (iii) order Beijing Rungu to bear joint and several liabilities for the aforementioned interest loss; and (iv) order Ever Source Investment and Beijing Rungu to bear the litigation costs, preservation fees and preservation guarantee fees for the case.

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Note: (Continued)

In January 2022, Ever Source Investment was notified by Beijing Life that they received a notice of assistance in enforcement and a civil ruling issued by the Beijing First Intermediate People's Court. According to the civil ruling, the court ruled to implement the assets preservative measures applied by Shanghai Gangze (as the applicant) against Ever Source Investment (as the respondent) and Beijing Rungu (as the respondent) by freezing the bank deposits or seizure and impounding the assets with the equivalent sum that held by Ever Source Investment and Beijing Rungu respectively. The limits imposed on Ever Source Investment and Beijing Rungu are RMB245,217,995.83 and RMB8,217,995.83 respectively. In addition, according to the notice of assistance in enforcement, Beijing Life is required to assist in freezing the 4.99965% equity interest of Beijing Life held by Ever Source Investment, corresponding to the paid-up capital of RMB142,990,000, for 3 years commencing from 12 January 2022 to 11 January 2025. During the freezing period, transfer, sale and pledge of the above equity interests are prohibited without the permission of the court.

As at 31 December 2023, Ever Source Investment's bank account with Beijing Rural Commercial Bank has been frozen with the amount of RMB50,275 (2024: nil).

In June 2024, Ever Source Investment received a civil judgment from the Beijing High People's Court. The judgment was that the appeal was dismissed, and the original judgment was upheld; (i.e. Shanghai Gangze is required to compensate Ever Source Investment for the loss of lawyer fees amount to RMB200,000; and all litigation requests made by Shanghai Gangze were dismissed), the court has revoked the freezing order on the respective equity interest and bank balances, the appellant, Shanghai Gangze, is responsible for the case acceptance fee in the second instance and the judgment is final.

As at 31 December 2023, the Group has received the consideration of RMB237,000,000 and included in "other payables". 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 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 and the consideration received in other payables are derecognised. No gain or loss is recognised.

19. INVENTORIES

	2024	2023
	HK$'000	*HK$'000*
Raw materials	**13,309**	12,861
Finished goods	**758**	772
	14,067	13,633

20. PROPERTIES HELD FOR SALE

	2024	2023
	HK$'000	*HK$'000*
At 1 January	**299,026**	303,949
Exchange realignment	**(6,384)**	(4,323)
Less: Impairment losses	**(658)**	(600)
At 31 December	**291,984**	299,026

The above properties held for sale are situated in the PRC.

Notes to Consolidated Financial Statements

31 December 2024

20. PROPERTIES HELD FOR SALE *(Continued)*

The management of the Group assessed the net realisable values of the properties held for sale as at 31 December 2024 and 2023, with reference to the valuations conducted by independent external valuer (the "Valuer"). The net realisable values of the properties were arrived at with reference to transaction price of comparable properties in the similar or same locations with adjustments made according to nature of each property and its specific location and condition or residual method which based on the development potential of the properties as if they were completed in accordance with the existing development proposal at the date of valuation.

The properties were valued individually, the management of the Group, after considering the results of valuations conducted by the Valuer, has determined that the net realisable values of one of these properties are less than its carrying amounts and an impairment loss of approximately HK$658,000 (2023: approximately HK$600,000) has been recognised in the profit or loss.

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

Gross carrying amounts of contract assets as at 1 January 2023 was approximately HK$505,048,000, while contract liabilities as at 1 January 2023 was approximately to HK$33,412,000.

Contract assets are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. During the year ended 31 December 2024, a reversal of impairment losses of approximately HK$21,183,000 (2023: reversal of impairment losses of approximately HK$41,599,000) was recognised in to profit or loss. The Group's trading terms and credit policy with customers are disclosed in note 22 to the consolidated financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2024	2023
	HK$'000	*HK$'000*
Within one year	**28,849**	35,765

21. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

The movements in the loss allowances for impairment of contract assets are as follows:

	2024	2023
	HK$'000	*HK$'000*
At beginning of year	**410,462**	469,566
Reversal of impairment losses, net	**(21,183)**	(41,599)
Amounts written off as uncollectible *(note)*	–	(11,403)
Exchange realignment	**(5,913)**	(6,102)
At end of year	**383,366**	410,462

Note: During the year ended 31 December 2023, certain debtors have been liquidated and certain legal cases have been finalised and therefore amounting of approximately HK$11,403,000 in respect of such debtors have been fully written off.

The management has actively taken legal actions against projects which have been long outstanding for several years in the recent years and identified that certain debtors were in financial difficulty, or in liquidation or in cessation of business, and therefore, the management has considered those debtors were assessed as significant increase in credit risk and individual assessment are performed. As a result, contract assets in relation to those debtors amounting to approximately HK$29,046,000 (2023: approximately HK$57,403,000) have been assessed as credit-impaired and full impairment losses up to estimated recoverable amounts based on the court ruling of approximately HK$10,658,000 (2023: approximately HK$40,492,000) has been provided as at 31 December 2024.

Certain contract assets are initially recognised for revenue earned from the provision of construction services for the infrastructures during the period of construction under the service concession arrangements. Pursuant to the service concession agreements, the Group receives no payment from the grantors during the construction period and receives service fees when the relevant provision of services are rendered. The receivables under service concession arrangements (including the contract assets therein) are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will then be transferred to trade receivables. The Group had commenced for such projects in 2016, and the amount are expected to be recovered during those period of time throughout 5 years up to 2021. Therefore, the expected credit loss rate for the Group's contract assets and receivables under service concession arrangements is applying a minimal rate in previous years. The management has reviewed the construction services and considered that the debtors are in financial difficulty, and therefore, the management has assessed the balances of such debtors of approximately HK$30,446,000 (2023: approximately HK$30,002,000) individually and considered they are credit-impaired and full expected credit loss allowance has provided as at 31 December 2024.

For remaining balances, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on days past due for grouping of various customer segments with similar loss pattern. The calculation reflects the probability-weighted outcome, the time value of money, historical repayment of debtors and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

Notes to Consolidated Financial Statements

31 December 2024

21. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

As at 31 December 2024

	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**
Expected credit loss rate	**5.43%**	**31.18%**	**48.40%**	**76.95%**	**87.80%**	**100.00%**	**97.03%**
Gross carrying amount *(HK$'000)*	**3,683**	**5,828**	**1,940**	**4,018**	**8,525**	**328,729**	**352,723**
Expected credit losses *(HK$'000)*	**200**	**1,817**	**939**	**3,092**	**7,485**	**328,729**	**342,262**

As at 31 December 2023

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	5.07%	28.48%	45.48%	73.19%	86.37%	100%	94.75%
Gross carrying amount *(HK$'000)*	4,963	9,794	5,495	10,219	10,284	318,067	358,822
Expected credit losses *(HK$'000)*	252	2,789	2,499	7,479	8,882	318,067	339,968

Contract liabilities include short-term advances received to deliver construction services.

22. TRADE RECEIVABLES

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

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 (note 15(b)), 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.

22. TRADE RECEIVABLES *(Continued)*

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

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

The movements in the loss allowances for impairment of trade receivables are as follows:

	2024	2023
	HK$'000	*HK$'000*
At beginning of year	**166,062**	189,786
Release upon deregistration of subsidiaries *(note 35)*	**(165)**	–
Amounts written off as uncollectible	–	(18,653)
Reversal of impairment losses	**(9,732)**	(2,378)
Exchange realignment	**(3,432)**	(2,693)
At end of year	**152,733**	166,062

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of the reporting period about past events, current conditions and forecasts of future economic conditions.

The Group writes off trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier. During the year ended 31 December 2023, in regard of finalisation of the legal cases, amounting of trade receivables approximately HK$18,653,000 have been written off.

Certain debtors were either in financial difficulty, under liquidation or under litigation with the Company. Therefore, the management considered that those trade receivables were credit-impaired at the end of the reporting period and the amounts were full impairment and has been recognised as loss allowances for expected credit losses of approximately HK$57,306,000 (2023: approximately HK$47,804,000) as at 31 December 2024.

Notes to Consolidated Financial Statements

31 December 2024

22. TRADE RECEIVABLES *(Continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on the grouping of various customer segments:

As at 31 December 2024

Group one: construction services

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	4.99%	24.91%	46.75%	68.49%	100%	100%	65.01%
Gross carrying amount *(HK$'000)*	49,970	3,300	338	2,967	873	88,514	145,962
Expected credit losses *(HK$'000)*	2,496	822	158	2,032	873	88,514	94,895

Group two: others

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	1.87%	20.98%	37.57%	72.07%	100%	100%	13.17%
Gross carrying amount *(HK$'000)*	16,011	305	181	290	29	1,778	18,594
Expected credit losses *(HK$'000)*	300	64	68	209	29	1,778	2,448

22. TRADE RECEIVABLES *(Continued)*

As at 31 December 2023

Group one: construction services

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	17.34%	62.09%	68.39%	97.53%	100.00%	100.00%	69.48%
Gross carrying amount *(HK$'000)*	57,491	3,944	5,274	1,822	4,495	93,166	166,192
Expected credit losses *(HK$'000)*	9,972	2,449	3,607	1,777	4,495	93,166	115,466

Group two: others

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	1.63%	52.90%	72.64%	93.57%	100.00%	100.00%	11.12%
Gross carrying amount *(HK$'000)*	22,103	1,049	223	218	68	1,441	25,102
Expected credit losses *(HK$'000)*	362	555	162	204	68	1,441	2,792

23. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

	2024 *HK$'000*	2023 *HK$'000*
Prepayments	**13,153**	24,100
Deposits	**9,649**	9,881
Consideration receivable *(note)*	**–**	19,662
Other receivables	**124,493**	119,226
Deposit paid for acquisition of investment properties	**1,425**	1,593
Less: Impairment loss allowances	**(93,737)**	(89,175)
	54,983	85,287
Less: Non-current portion	**(1,425)**	(1,593)
Current portion	**53,558**	83,694

Note: The consideration receivable represented the consideration outstanding for the partial disposal of an associate (note 17) during the year ended 31 December 2023. The balances are settled in full during the year ended 31 December 2024. Details are disclosed in note 46(b).

Notes to Consolidated Financial Statements

31 December 2024

23. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS *(Continued)*

The movements in the loss allowances for impairment of deposits and other receivables are as follows:

	2024	2023
	HK$'000	*HK$'000*
At beginning of year	**89,175**	88,547
Exchange realignment	**(2,558)**	(1,269)
Impairment loss, net	**7,120**	1,897
At end of year	**93,737**	89,175

Deposits and other receivables mainly represent rental deposits and refundable deposits with suppliers. An impairment analysis is performed at the end of each reporting period, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group.

24. AMOUNTS DUE TO RELATED COMPANIES

As at 31 December 2024, the Group's amounts due to related companies included a guarantee fee payable of RMB25,618,000 (equivalent to approximately HK$27,666,000) (2023: RMB25,618,000 (equivalent to approximately HK$28,270,000)) provided by China Energy Conservation and Environmental Protection Group's ("CECEP") subsidiaries. The remaining balance of approximately HK$11,000 (2023: approximately HK$2,933,000) is unsecured, non-interest bearing and repayable on demand.

25. AMOUNTS DUE TO ASSOCIATES AND A JOINT VENTURE

The amounts are unsecured, interest-free and repayable on demand.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
	HK$'000	*HK$'000*
Listed equity investments, at fair value	**4,895**	3,795

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading purpose.

27. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TIME DEPOSITS

	2024 *HK$'000*	2023 *HK$'000*
Cash and bank balances	**52,127**	69,365
Cash held at non-bank financial institutions	**459**	188
Restricted cash	–	3,712
Time deposits	–	689
	52,586	73,954
Less: Time deposits with original maturity over three months	–	(689)
Restricted cash	–	(3,712)
Cash and cash equivalents	**52,586**	69,553

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$35,868,000 (2023: approximately HK$66,040,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

28. 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 *HK$'000*	2023 *HK$'000*
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	**85,486**	88,089
	139,369	157,241

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

Notes to Consolidated Financial Statements

31 December 2024

29. OTHER PAYABLES AND ACCRUALS

	2024	2023
	HK$'000	*HK$'000*
Accruals	**6,820**	30,346
Advance received for disposal of equity investments designated at fair value through other comprehensive income *(note 18)*	**–**	261,530
Other borrowing *(note (i))*	**3,211**	2,979
Other payables *(note (ii))*	**92,010**	120,170
	102,041	415,025

Notes:

(i) Other borrowing represented borrowing of approximately HK$3,211,000 (2023: approximately HK$2,979,000) granted from an independent third party, which is unsecured, carried interest at fixed interest rate of 7.56% per annum, and repayable on 31 December 2025 or on demand (2023: repayable on 31 December 2024 or on demand).

(ii) Other payables are non-interest bearing and have no fixed terms of settlement.

30. DEFERRED INCOME

	2024	2023
	HK$'000	*HK$'000*
At 1 January	**8,828**	8,955
Released upon deregistration of subsidiaries *(note 35)*	**(2,193)**	–
Exchange realignment	**(156)**	(127)
At 31 December	**6,479**	8,828

Government grants were designated for certain projects. The amount is stated as a non-current liability as at 31 December 2024 and 2023 in the consolidated statement of financial position as the directors of the Company are of the opinion that certain conditions in respect of these grants will not be fulfilled within the next twelve months from the end of the reporting period.

31. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

	2024				
	Fair value changes of investment properties *HK$'000*	Properties held for sale *HK$'000*	Fair value changes of financial assets at fair value through other comprehensive income *HK$'000*	Lease arrangement *HK$'000*	Total *HK$'000*
At 1 January 2024	243	27,106	15,594	104	43,047
Deferred tax credited to the profit or loss *(note 10)*	(137)	(164)	–	–	(301)
Deferred tax charged to capital reserve	–	–	23	–	23
Exchange realignment	(3)	(589)	(434)	(2)	(1,028)
At 31 December 2024	103	26,353	15,183	102	41,741

	2023				
	Fair value changes of investment properties *HK$'000*	Properties held for sale *HK$'000*	Fair value changes of financial assets at fair value through other comprehensive income *HK$'000*	Lease arrangement *HK$'000*	Total *HK$'000*
At 1 January 2023	625	27,643	16,018	105	44,391
Deferred tax credited to the profit or loss *(note 10)*	(373)	(1,059)	–	–	(1,432)
Deferred tax credited to capital reserve	–	–	(219)	–	(219)
Exchange realignment	(9)	522	(205)	(1)	307
At 31 December 2023	243	27,106	15,594	104	43,047

Notes to Consolidated Financial Statements

31 December 2024

31. DEFERRED TAX *(Continued)*

Deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2024	2023
	HK$'000	*HK$'000*
Tax losses	**52,889**	79,397
Deductible temporary differences	**636,186**	671,787
	689,075	751,184

The above tax losses are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

At 31 December 2024 and 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors of the Company, it is not probable that these subsidiaries and will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised are approximately of HK$112,909,000 at 31 December 2024 (2023: approximately HK$114,307,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

	Authorised number of shares	Number of ordinary shares in issued (excluding treasury shares)	Number of treasury shares held	Total number ordinary shares in issued	Share capital
	'000	*'000*	*HK$'000*	*'000*	*HK$'000*
At 1 January 2023, 31 December 2023 and 1 January 2024 – ordinary share of USD0.01 each	16,000,000	4,526,925	–	4,526,925	353,043
Repurchase of shares	–	(21,352)	21,352	–	–
At 31 December 2024 – ordinary share of USD0.01 each	**16,000,000**	**4,505,573**	**21,352**	**4,526,925**	**353,043**

During the year ended 31 December 2024, the Company repurchased 21,352,000 ordinary shares on the Stock Exchange for total considerations of approximately HK$959,000 and the cost of these shares held by the Group was recorded in treasury shares.

33. SHARE-BASED PAYMENT ARRANGEMENTS

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 report.

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 report, the remaining life of the 2020 Share Award Scheme shall be approximately four years and nine 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.

Notes to Consolidated Financial Statements

31 December 2024

33. SHARE-BASED PAYMENT ARRANGEMENTS *(Continued)*

SHARE SCHEMES *(Continued)*

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 report, 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 report.

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.

33. SHARE-BASED PAYMENT ARRANGEMENTS *(Continued)*

SHARE SCHEMES *(Continued)*

2024 Share Option Scheme and 2024 Share Award Scheme *(Continued)*

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 report, 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.

Notes to Consolidated Financial Statements

31 December 2024

34. OTHER RESERVES

The amounts of the Group's other reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Statutory reserve

In accordance with the relevant regulations in the PRC and joint venture agreements, each of the Sino-foreign joint ventures established in the PRC shall set aside a portion of its profit after tax, if any, to the statutory reserve. Such amount will be determined at the discretion of the board of directors of each entity.

(b) Contributed surplus

Contributed surplus represents the cancellation of the paid-up capital and the set-off against the accumulated losses in prior years.

(c) Special reserve

Special reserve represents the reserve arising from the acquisition of non-controlling interests.

(d) Capital reserve

Capital reserve represents the deemed contribution from a substantial shareholder arising from the waiver of the convertible notes and the fair value changes in equity investments designated at fair value through other comprehensive income.

35. DEREGISTRATION OF SUBSIDIARIES

During the year ended 31 December 2024, the Group deregistered indirect wholly-owned subsidiaries, including 100% equity interest of 大連嘉樂比溫泉度假酒店有限公司（"大連嘉樂比"）and a 51% equity interest of 宏源地能熱寶技術有限公司（"地能熱寶"）.

Net liabilities of subsidiaries upon deregistration:

	大連嘉樂比	地能熱寶	Total
	HK$'000	*HK$'000*	*HK$'000*
Inventories	414	–	414
Prepayments, other receivables and deposits	46	12	58
Trade payables	(36)	–	(36)
Other payables	(42)	(4,369)	(4,411)
Deferred income	–	(2,193)	(2,193)
Net assets (liabilities) at deregistration	382	(6,550)	(6,168)
Release of exchange fluctuation reserve	(135)	1,545	1,410
Loss (gain) on deregistration of subsidiaries, net	247	(5,005)	(4,758)

There was no net inflow/outflow of cash and cash equivalents in respect of the deregistration of subsidiaries during the year ended 31 December 2024.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

2024	**Lease liabilities** *HK$'000*
At 1 January 2024	**73,094**
Addition	**1,257**
Changes from financing cash flows	**(9,767)**
Accretion of interest recognised during the year	**3,147**
Exchange realignment	**(1,345)**
At 31 December 2024	**66,386**

2023	Lease liabilities *HK$'000*
At 1 January 2023	80,646
Changes from financing cash flows	(9,908)
Accretion of interest recognised during the year	3,448
Exchange realignment	(1,092)
At 31 December 2023	73,094

37. 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.

38. PLEDGE OF ASSETS

As at 31 December 2024 and 2023, the Group had no charge on assets.

39. COMMITMENTS

At 31 December 2024 and 2023, the Group did not have any capital commitments contracted but not provided for at the end of the reporting period.

Notes to Consolidated Financial Statements

31 December 2024

40. RELATED PARTY TRANSACTIONS

(a) Amounts due from/to related companies, associates and a joint venture are included in the consolidated statement of financial position. Further details are given in notes 24 and 25 to the consolidated financial statements.

(b) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	2024	2023
	HK$'000	*HK$'000*
Associates:		
Purchases of products	**1,465**	6,840

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

(c) Other transactions with related parties:

During the year ended 31 December 2022, a subsidiary of the Company has renewed and extended for 2 years to 2024 of a lease agreement with Beijing Elite Investments Limited, a company held as to 70% (2023: 50%) equity interests by Ms. Chan Wai Kay, Katherine, a former Deputy Chairman and executive director of the Company who retired on 7 June 2024, leading to an addition to right-of-use assets and corresponding lease liabilities were recognised as approximately HK$2,378,000 at the commencement date.

During the year ended 31 December 2024, the lease has further extended for 2 years to 2026, and addition of right-of-use assets and corresponding lease liabilities are recognised as approximately HK$1,257,000 at the commencement date. As at 31 December 2024, the right-of-use assets and lease liabilities related to this lease arrangement were approximately HK$786,000 (2023: approximately HK$158,000) and approximately HK$801,000 (2023: approximately HK$164,000), respectively.

(d) Compensation of key management personnel of the Group:

	2024	2023
	HK$'000	*HK$'000*
Short term employee benefits	**4,457**	5,473
Post-employment benefits	**43**	54
Total compensation paid to key management personnel	**4,500**	5,527

Further details of directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	Equity investments	Financial assets at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity investments designated at fair value through other comprehensive income	–	54,661	–	54,661
Financial assets included in prepayments, other receivables and deposits	–	–	40,405	40,405
Trade receivables	–	–	67,213	67,213
Financial assets at fair value through profit or loss	4,895	–	–	4,895
Cash and cash equivalents	–	–	52,586	52,586
	4,895	54,661	160,204	219,760

2024

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade payables	139,369
Financial liabilities included in other payables and accruals	102,041
Amounts due to associates	17,649
Amounts due to related companies	27,677
Lease liabilities	66,386
	353,122

Notes to Consolidated Financial Statements

31 December 2024

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	Equity investments	Financial assets at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity investments designated at fair value through other comprehensive income	–	317,291	–	317,291
Financial assets included in prepayments, other receivables and deposits	–	–	59,594	59,594
Trade receivables	–	–	73,036	73,036
Financial assets at fair value through profit or loss	3,795	–	–	3,795
Time deposits	–	–	689	689
Restricted cash	–	–	3,712	3,712
Cash and cash equivalents	–	–	69,553	69,553
	3,795	317,291	206,584	527,670

2023

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade payables	157,241
Financial liabilities included in other payables and accruals	153,495
Amounts due to associates	18,035
Amounts due to related companies	31,203
Amount due to a joint venture	220
Lease liabilities	73,094
	433,288

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of trade receivables, trade payables, financial assets included in prepayments, other receivables and deposits, financial liabilities included in other payables and accruals, and amounts due from/to related companies, associates and a joint venture approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of trade receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Notes to Consolidated Financial Statements

31 December 2024

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Equity investments designated at fair value through other comprehensive income	**54,661**	–	–	**54,661**
Financial assets at fair value through profit or loss	**4,895**	–	–	**4,895**
	59,556	–	–	**59,556**

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity investments designated at fair value through other comprehensive income	55,761	261,530	–	317,291
Financial assets at fair value through profit or loss	3,795	–	–	3,795
	59,556	261,530	–	321,086

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2024 (2023: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2023: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise equity investments designated at fair value through other comprehensive income, equity investments at fair value through profit or loss, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's PRC subsidiaries transact in RMB, and the Company and other subsidiaries mainly transact in HK$. Management considers the Group's exposure to foreign currency risk is not significant.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets*	–	–	59,492	352,723	412,215
Trade receivables*	–	–	57,306	164,556	221,862
Cash and cash equivalents					
– Not yet past due	52,586	–	–	–	52,586
Financial assets included in prepayments, other receivables and deposits**					
– Normal**	9,649	–	–	–	9,649
– Doubtful**	124,493	–	–	–	124,493
	186,728	–	116,798	517,279	820,805

Notes to Consolidated Financial Statements

31 December 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2023

	12-month ECLs		Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Restricted cash					
– Not yet past due	3,712	–	–	–	3,712
Time deposits					
– Not yet past due	689	–	–	–	689
Contract assets*	–	–	87,405	358,822	446,227
Trade receivables*	–	–	47,804	191,294	239,098
Cash and cash equivalents					
– Not yet past due	69,553	–	–	–	69,553
Financial assets included in prepayments, other receivables and deposits**					
– Normal**	9,881	–	–	–	9,881
– Doubtful**	138,888	–	–	–	138,888
	222,723	–	135,209	550,116	908,048

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 22 and 21 to the consolidated financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and deposits is considered to be "normal" when they are not past due or there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank deposit, finance lease receivables, other borrowing from an independent third party and lease liabilities. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2024						
	Weighted average interest rate *(%)*	**On demand** *HK$'000*	**Within one year** *HK$'000*	**One to five years** *HK$'000*	**Over five years** *HK$'000*	**Total undiscounted cash flows** *HK$'000*	**Carrying amounts** *HK$'000*
Lease liabilities	**4.74**	**–**	**9,934**	**48,669**	**19,396**	**77,999**	**66,386**
Trade payables	**–**	**–**	**139,369**	**–**	**–**	**139,369**	**139,369**
Financial liabilities included in other payables and accruals	**7.56**	**98,830**	**3,454**	**–**	**–**	**102,284**	**102,041**
Amounts due to related companies	**–**	**27,677**	**–**	**–**	**–**	**27,677**	**27,677**
Amounts due to associates	**–**	**17,649**	**–**	**–**	**–**	**17,649**	**17,649**
		144,156	**152,757**	**48,669**	**19,396**	**364,978**	**353,122**

	2023						
	Weighted average interest rate *(%)*	On demand *HK$'000*	Within one year *HK$'000*	One to five years *HK$'000*	Over five years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amounts *HK$'000*
Lease liabilities	4.80	–	9,332	48,699	30,163	88,194	73,094
Trade payables	–	–	157,241	–	–	157,241	157,241
Financial liabilities included in other payables and accruals	7.56	150,516	3,204	–	–	153,720	153,495
Amounts due to related companies	–	31,203	–	–	–	31,203	31,203
Amounts due to associates	–	18,035	–	–	–	18,035	18,035
Amount due to a joint venture	–	220	–	–	–	220	220
		199,974	169,777	48,699	30,163	448,613	433,288

Notes to Consolidated Financial Statements

31 December 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments designated at fair value through other comprehensive income (note 18) and equity investments at fair value through profit or loss (note 26) as at 31 December 2024 and 2023.

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investments designated at fair value through other comprehensive income, the impact is deemed to be on the capital reserve and no account is given for factors such as impairment which might impact profit or loss.

2024	**Carrying amount of equity investments** *HK$'000*	**Change in equity** *HK$'000*	**Change in profit before tax** *HK$'000*
Investments listed in:			
Hong Kong – Equity investments at fair value through profit or loss	**4,895**	**–**	**245**
Others – Equity investments designated at fair value through other comprehensive income	**54,736**	**2,737**	**–**

2023	Carrying amount of equity investments *HK$'000*	Change in equity *HK$'000*	Change in profit before tax *HK$'000*
Investments listed in:			
Hong Kong – Equity investments at fair value through profit or loss	3,795	–	190
Others – Equity investments designated at fair value through other comprehensive income	55,761	2,788	–

The unlisted equity investment designated at fair value through other comprehensive income has stated at transaction price, it will not further subject to any changes in price in the market due to the restriction by the court order as stated in note 18 to the consolidated financial statements, the management considers there is no price risk in regard of such investment as at 31 December 2023.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes lease liabilities, trade payables, financial liabilities included in other payables and accruals, less cash and cash equivalents. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2024	2023
	HK$'000	*HK$'000*
Lease liabilities	**66,386**	73,094
Trade payables	**139,369**	157,241
Financial liabilities included in other payables and accruals	**102,041**	153,495
Less: Cash and cash equivalents	**(52,586)**	(69,553)
Net debt	**255,210**	314,277
Equity attributable to owners of the Company	**266,042**	249,924
Capital and net debt	**521,252**	564,201
Gearing ratio	**49.0%**	55.7%

44. EVENTS AFTER THE REPORTING PERIOD

The Group had no material subsequent events after 31 December 2024 and up to the date of this report.

Notes to Consolidated Financial Statements

31 December 2024

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSET		
Investments in subsidiaries	–	–
Total non-current asset	–	–
CURRENT ASSETS		
Amounts due from subsidiaries *(note (i))*	**394,966**	394,201
Prepayments, other receivables and deposits	**39**	39
Restricted cash	–	3,654
Cash and cash equivalents	**151**	1,495
Total current assets	**395,156**	399,389
NET CURRENT ASSETS	**395,156**	399,389
TOTAL ASSETS	**395,156**	399,389
Net assets	**395,156**	399,389
EQUITY		
Share capital	**353,043**	353,043
Shares held for Share Award Scheme	**(8,169)**	(8,169)
Treasury shares	**(959)**	–
Other reserves *(note (ii))*	**51,241**	54,515
Total equity	**395,156**	399,389

Xu Shengheng
Director

Liao Yuan
Director

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(i) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(ii) A summary of the Company's other reserves is as follows:

	Share premium HK$'000	Treasury shares HK$'000	Shares held for Share Award Scheme HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2023	895,393	–	–	154,381	32,235	(1,025,026)	56,983
Loss and total comprehensive expense for the year	–	–	–	–	–	(2,468)	(2,468)
Shares purchased for Share Award Scheme	–	–	(962)	–	–	–	(962)
Equity-settled share award by Awarded Shares	–	–	962	–	–	–	962
At 31 December 2023 and 1 January 2024	895,393	–	–	154,381	32,235	(1,027,494)	54,515
Repurchase of shares	**–**	**(959)**	**–**	**–**	**–**	**–**	**(959)**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(3,274)**	**(3,274)**
At 31 December 2024	**895,393**	**(959)**	**–**	**154,381**	**32,235**	**(1,030,768)**	**50,282**

Notes to Consolidated Financial Statements

31 December 2024

46. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2024, the Group renewed a leasing arrangement in respect of office premises. Right-of-use assets and lease liabilities of approximately HK$1,257,000 (2023: Nil) were recognised at the commencement of the leases.

(b) During the year ended 31 December 2023, the Group disposed its holding of 34% equity interest of an associate, HSG, at a consideration of RMB19,618,000 (equivalent to approximately HK$21,379,000) to Sichuan Changhong Air Condition Co., Ltd. *（四川長虹空調有限公司）(“Sichuan Changhong”) and the Group’s equity interest in HSG was decreased from 49% to 15% without changes in composition of the board of directors of the associate, thus no changes in significant influence over HSG, resulting in a gain on partial disposal of approximately HK$938,000. Immediately upon completion of the disposal, HSG continued to be classified as an associate.

In accordance with the settlement arrangement of the consideration receivable with Sichuan Changhong, being the non-controlling interest of 地能熱寶, the balances are to be settled by (i) share of net assets of 地能熱寶 upon deregistration of approximately RMB12,380,000 (equivalent to HK$13,655,000); (ii) amount due to Sichuan Changhong of approximately RMB2,648,000 (equivalent to approximately HK$2,922,000); and (iii) remaining balances of approximately RMB1,800,000 (equivalent to approximately HK$1,958,000) settled in 2023 and approximately RMB2,790,000 (equivalent to approximately HK$3,085,000) settled in 2024.

During the year ended 31 December 2023, amounting of approximately RMB1,800,000 (equivalent to approximately to HK$1,958,000) consideration receivables were received.

On 5 February 2024, the deregistration of 地能熱寶 were completed and therefore, the remaining consideration receivable of RMB17,818,000 (equivalent to HK$19,662,000) are settled in full through (i) balances payables for share of net assets of 地能熱寶 of approximately RMB12,380,000 (equivalent to HK$13,655,000); (ii) amount due to Sichuan Changhong of approximately RMB2,648,000 (equivalent to approximately HK$2,922,000); and (iii) cash settlement of approximately RMB2,790,000 (equivalent to approximately HK$3,085,000).

(c) During the year ended 31 December 2023, trade receivables of approximately HK$1,593,000 were settled by transferring deposits paid for acquisition of two investment properties from a debtor.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2025.

Five-Year Financial Summary

A summary of the published results and the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, are set out below.

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**69,629**	67,860	119,428	176,835	230,862
Cost of sales	**(56,912)**	(58,601)	(104,307)	(145,595)	(184,728)
Gross profit	**12,717**	9,259	15,121	31,240	46,134
Gross profit margin	**18%**	14%	13%	18%	20%
Profit/(loss) before tax	**10,941**	7,091	(157,706)	(100,904)	(240,248)
Income tax credit/(expense)	**352**	(2,369)	22,243	(1,423)	(3,192)
Profit/(loss) for the year	**11,293**	4,722	(135,463)	(102,327)	(243,440)
Attributable to:					
– Owners of the Company	**10,759**	9,475	(134,332)	(97,329)	(242,399)
– Non-controlling interests	**534**	(4,753)	(1,131)	(4,998)	(1,041)
Earnings/(loss) per share					
– Basic (HK cents)	**0.24**	0.21	(2.97)	(2.20)	(5.46)
– Diluted (HK cents)	**0.24**	0.21	(2.97)	(2.20)	(5.46)

CONSOLIDATED ASSETS AND LIABILITIES

	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**398,981**	426,412	469,295	588,249	636,707
Current assets	**457,820**	778,487	778,554	977,383	1,083,854
Current liabilities	**(467,988)**	(807,795)	(835,961)	(990,443)	(1,106,453)
Net current liabilities	**(10,168)**	(29,308)	(57,407)	(13,060)	(22,599)
Total assets less current liabilities	**388,813**	397,104	411,888	575,189	614,108
Non-current liabilities	**(104,713)**	(118,514)	(127,196)	(147,009)	(136,934)
Net assets	**284,100**	278,590	284,692	428,180	477,174
Total debt to equity ratio	**2.02**	3.32	3.38	2.66	2.61

List of Major Properties Held by the Group

Location	Approximate gross floor area (square meter)	Group's interest	Land use	Term of lease	Stage of completion	Anticipated completion
Building						
No. 102 Xingshikou Road, Haidian District, Beijing, the PRC	5,628.82	100%	Office and industrial	Medium	Completed	–
Investment property						
Headquarter Block Nos. 026 and 027 office building, Jinjialin Village, Chengjiao Township, Fucheng District, Mianyang City, Sichuan Province, the PRC	19,610.06	100%	Office	Medium	Completed	–
Properties held for sale						
Xianyuwan Village, Xianyuwan Town, Wafangdian City, Dalian, Liaoning Province, the PRC	173,289.00	100%	Residential/ Commercial	Medium	Completed	–