



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

INTERIM REPORT
2023

Technology and Resources Links



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This report, for which 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.

HIGHLIGHTS

Revenue for the six months ended 30 June 2023 (the “Review Period”) amounted to approximately HK\$34,377,000.

Net loss after tax of the Group for the Review Period amounted to approximately HK\$16,022,000.

No dividend was declared for the Review Period.

FINANCIAL REVIEW

The following table provides a brief summary of the financial results of CHYY Development Group Limited (the “Company”) and its subsidiaries (collectively the “Group”). For more detailed information, please refer to the unaudited consolidated financial statements for the Review Period and for the six months ended 30 June 2022.

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
– Shallow geothermal energy	17,143	21,847	28,977	45,487
– Air conditioning/shallow geothermal heat pump	1,000	187	1,000	187
– Property investment and development	4,400	4,675	4,400	4,675
	<u>22,543</u>	<u>26,709</u>	<u>34,377</u>	<u>50,349</u>
(Loss) for the period	<u>574</u>	<u>(22,167)</u>	<u>(16,022)</u>	<u>(37,163)</u>
(Loss) attributable to owners of the parent	<u>136</u>	<u>(21,230)</u>	<u>(15,562)</u>	<u>(36,024)</u>

During the Review Period, the Group's revenue amounted to approximately HK\$34,377,000 which was mainly contributed by shallow geothermal energy utilisation business and approximately HK\$50,349,000 for the corresponding period last year. The revenue decreased by approximately HK\$15,979,000 as compared with that of corresponding period last year which was mainly attributable to the new contracts of engineering projects secured in the first half year was substantially decreased as well as the projects in progress that bought forward from previous periods was decreased.

Other income and gains increased from approximately HK\$2,774,000 in the corresponding period last year to approximately HK\$57,390,000 for the six months ended 30 June 2023. This was mainly due to an increase in the exemption of prior period payables.

Selling and distribution expenses amounted to approximately HK\$6,237,000 and HK\$8,885,000 for the six months ended 30 June 2023 and 2022 respectively. The selling and distribution expenses for the Review Period decreased as compared with the corresponding period last year which was mainly due to the implementation of cost reduction and remuneration reform measures to control the distribution expenses by the Group during the period under review.

During the Review Period, administrative expenses decreased by approximately HK\$5,441,000 or 19% as compared with that of six months ended 30 June 2023. Administrative expenses decreased which was mainly attributable to the decreases in remuneration and the relevant expenses.

Finance costs amounted to approximately HK\$2,052,000 for the six months ended 30 June 2023 as compared with approximately HK\$2,527,000 for last corresponding period. The finance costs mainly attributed by leased assets.

For the six months ended 30 June 2023, the loss for the period was approximately HK\$16,022,000, whereas the loss was approximately HK\$37,163,000 for the corresponding period last year. The decrease of loss was mainly attributable to the decrease in expenses, as a result of increased income from investments in associates and other incomes.

Order Book

As at 30 June 2023, the Group has contracts on hand of approximately HK\$66,000,000 (30 June 2022: HK\$78,000,000).

Liquidity, Capital Structure and Gearing Ratio

Net current liabilities of the Group as at 30 June 2023 was approximately HK\$66,501,000 (net current liabilities as at 31 December 2022: approximately HK\$57,407,000).

As at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$62,529,000 (30 June 2022: approximately HK\$47,043,000). In addition, the Group had time deposits of approximately HK\$12,076,000 (31 December 2022: approximately HK\$19,460,000). Cash and cash equivalents on the condensed consolidated statement of financial position include funds available for general corporate purposes.

Non-controlling interests amounted to approximately HK\$32,363,000 which mainly represents the interests attributable to non-controlling shareholders of the Group's subsidiaries in the PRC.

The gearing ratio of the Group, based on total net debt (including lease liabilities, trade and bills payables, financial liabilities included in other payables and accruals, less cash and cash equivalents) to the equity (representing equity attributable to owners of the parent) plus net debt of the Group, was 59.36% as at 30 June 2023 (31 December 2022: 60%).

Charges on Asset

As at 30 June 2023, the Group did not have any charges on asset.

Material Acquisition and Disposal

The Group did not have any material acquisition and disposal during the six months ended 30 June 2023.

Significant Investment Held

During the year ended 30 June 2023, the Group held 4.99965% of equity interests in Beijing Life Insurance Co. Ltd., which is an equity investments designated at fair value through other comprehensive income. The size of investment as compared to the Group's total assets as at 30 June 2023 is 21.26%.

On 13 November 2020, Ever Source Investment Management Co., Ltd. (恒有源投資管理有限公司), an indirect wholly owned subsidiary of the Company, entered into equity transfer agreement and subsequently supplemented by a supplemental agreement to sell 4.99965% equity interests in Beijing Life Insurance Co. Ltd. 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 at 30 June 2023, Ever Source Investment has received the consideration of RMB237,000,000 and this transaction is pending for the transferee to complete the change of shareholder registration. Therefore, the equity transfer has not been completed as at the date of this report.

Treasury Policies

The Group continues to adopt a conservative treasury policy with all bank deposits being kept in either Hong Kong dollars, or in local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks.

Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

Employees

As at 30 June 2023, the Group had approximately 262 employees in total (31 December 2022: approximately 306). The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.

Other Information

Ever Source Investment Management Co., Ltd.* (恒有源投資管理有限公司) (“Ever Source Investment”) had disposed of approximately 4.99965% equity interest in Beijing Life Insurance Co., Ltd. (“Beijing Life”) which constituted a very substantial disposal of the Company (the “Disposal”). Details of the Disposal can be referred to the Company’s circular dated 26 January 2021. On 19 February 2021, the Disposal was approved by the shareholders of the Company. Ever Source Investment also received all the equity transfer funds of RMB237,000,000 in July 2021. Due to the reason of the counterparty, as at the date of this report, the business registration for the change of shareholder has yet to complete.

The relevant information is as follow:

- 1) In December 2021, Ever Source Investment received a civil complaint from Shanghai Gangze Trading Company Limited* (上海港澤貿易有限公司) (as transferee) against Ever Source Investment and Beijing Rungu Investment Co., Ltd.* (北京潤古投資有限公司) (“Beijing Rungu”), details of which can be referred to the Company’s announcement dated 3 December 2021.
- 2) In January 2022, Ever Source Investment was notified that Beijing First Intermediate People’s Court issued to Beijing Life a notice of assistance in enforcement together with a civil ruling, details of which can be referred to the Company’s announcement dated 13 January 2022.

- 3) In November 2022, Ever Source Investment received a civil judgement (the “Civil Judgement”) in respect of the litigation case No. (2021) Jing 01 Min Chu No.860 ((2021)京01民初860號) from the First Intermediate People’s Court of Beijing (the “Beijing Court”). According to the Civil Judgement, the Beijing Court ruled that the Plaintiff Shanghai Gangze shall perform that (i) Shanghai Gangze shall compensate Ever Source Investment for the loss of legal fees of RMB200,000 within 10 days after this judgment takes into effect; and (ii) reject all claims from Shanghai Gangze. If Shanghai Gangze failed to perform its monetary obligation within the period specified in this judgment, it shall pay double the debt interest during the delayed performance period in accordance with the provisions of Article 260 of the Civil Procedure Law of the People’s Republic of China. The acceptance fee of the case, the property preservation fee and the acceptance fee of the counterclaim case are all borne by Shanghai Gangze.

In December 2022, Shanghai Gangze filed an appeal so far the second instance has not yet been heard, the industrial and commercial registration has not been changed and Ever Source Investment is still a shareholder of Beijing Life.

The Company considered that the above court ruling has no significant adverse effect on the normal operation and financial of the Group. The Company will vigorously respond to the litigation and will make further announcement(s) to keep its shareholders and investors informed of any significant development of the litigation as and when appropriate.

BUSINESS REVIEW AND OUTLOOK

In the face of the fact that the business scale of the group company during the period still decreased significantly compared with the same period, the management of the group, under the leadership of the board of directors of the group, carried out business development, project collection, throttling policy, salary consideration, budget management, Carry out a series of targeted work on the project independent accounting system: in terms of business development, actively explore new cooperation models and find agents with resources; further obtain business information; in terms of project recovery, the group arranges special personnel to track and collect funds for related projects, and at critical moments, take legal and other legal means, and the effect is more obvious; in terms of cost reduction policy, through strengthening internal control, improve the approval authority and process, expense publicity, In terms of salary assessment, through improving the salary appraisal system and performance accounting system, the salary cost is greatly reduced; in budget management, there is a budget in advance, control in the matter, and a final account after the fact. Project independent accounting, During the period, the independent accounting system was strengthened to ensure that the profitability of each business and project was clear and recorded.

According to the “14th Five-Year Plan” renewable energy development plan, during the “14th Five-Year Plan” period, China will actively promote medium and deep geothermal energy heating and cooling, comprehensively promote the development of shallow geothermal energy, and promote the application of ground source heat pump technology according to local conditions; under the active guidance and drive of national policies, Beijing, Hebei, Shandong, Guizhou and other major provinces and cities have successively promulgated a series of local policy plans, mainly to promote the development of clean energy such as geothermal energy and the development of building energy conservation, and promote the application of ground source heat pump according to local conditions, which has played a positive role in promoting the technical development and application penetration of ground source heat pump.

For example, Beijing has clarified that by 2025, the city will add 20 million square meters of shallow ground source heat pump heating area and 2 million square meters of medium and deep geothermal heat pump heating area; Hebei Province mentioned that geothermal energy heating should be promoted according to local conditions, and priority will be given to geothermal energy central heating in towns and villages with abundant geothermal resources and large areas. Use ground source heat pumps to accelerate the promotion of shallow geothermal energy and the development and utilization of medium and deep geothermal resources, and create a demonstration area for the efficient development and utilization of geothermal energy.

Following the policy trend, the Group has been focusing on the scientific research, development and promotion of shallow ground energy as an alternative energy source for building heating, and is committed to the industrialization of original technologies, realizing combustion-free intelligent heating (cooling) for buildings, and vigorously developing emerging industries integrating geothermal heating and cooling.

FINANCIAL RESULTS

The Board of Directors (the “Board”) of CHYY Development Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2023 together with the unaudited comparative figures for the corresponding periods in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2023	2022	2023	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	22,543	26,709	34,377	50,349
Cost of sales		(15,904)	(22,262)	(25,516)	(42,709)
Gross profit		6,639	4,447	8,861	7,640
Other income and gains	4	3,525	2	5,739	2,774
Selling and distribution expenses		(1,782)	(3,664)	(6,237)	(8,885)
Administrative expenses		(11,158)	(16,181)	(23,167)	(28,608)
Reversal of impairment losses on trade and bills receivables, net		3,194	-	3,194	-
Reversal of impairment losses on contract assets, net		842	-	842	-
Finance costs	5	(1,878)	(2,394)	(2,052)	(2,527)
Other expenses		(519)	(39)	(528)	(93)
Share of profits and losses of:					
A Joint venture		83	(314)	(90)	(314)
Associates		1,626	(4,108)	(2,586)	(7,234)

	<i>Notes</i>	Three months ended		Six months ended	
		30 June		30 June	
		2023	2022	2023	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) before tax	6	572	(22,251)	(16,024)	(37,247)
Income tax expense	7	<u>2</u>	<u>84</u>	<u>2</u>	<u>84</u>
(Loss) for the period		<u>574</u>	<u>(22,167)</u>	<u>(16,022)</u>	<u>(37,163)</u>
Attributable to:					
Owners of the parent		136	(21,230)	(15,562)	(36,024)
Non-controlling interests		438	(937)	(460)	(1,139)
		<u>574</u>	<u>(22,167)</u>	<u>(16,022)</u>	<u>(37,163)</u>
(Loss) per share attributable to ordinary equity holders of the parent	9				
Basic and diluted (expressed in HK\$ cents)		<u>0.013</u>	<u>(0.478)</u>	<u>(0.354)</u>	<u>(0.811)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
(Loss) for the period	574	(22,167)	(16,022)	(37,163)
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation of foreign operations	(4,584)	(7,590)	(3,275)	(6,578)
Share of other comprehensive (loss)/ income of a joint venture	(242)	-	(240)	-
Share of other comprehensive (loss)/ income of associates	(2,124)	(2,350)	(928)	(1,950)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(6,950)	(9,940)	(4,443)	(8,528)
Other comprehensive (loss)/income for the period, net of tax	(6,950)	(9,940)	(4,443)	(8,528)
Total comprehensive (loss) for the period	(6,376)	(32,107)	(20,465)	(45,691)
Attributable to:				
Owners of the parent	(5,484)	(30,094)	(18,951)	(43,259)
Non-controlling interests	(892)	(2,013)	(1,514)	(2,432)
	(6,376)	(32,107)	(20,465)	(45,691)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	30 June 2023	31 December 2022
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NON-CURRENT ASSETS		
Property, plant and equipment	10 159,835	168,673
Investment properties	123,048	127,001
Right-of-use assets	1,019	1,523
Investment in a joint venture	1,167	1,293
Investments in associates	44,632	47,980
Equity investments designated at fair value through other comprehensive income	55,572	57,357
Trade receivables	68,680	65,468
Total non-current assets	453,953	469,295
CURRENT ASSETS		
Inventories	14,636	15,821
Properties held for sale	294,556	303,949
Trade and bills receivables	11 21,976	23,127
Prepayments, other receivables and other assets	66,217	65,129
Contract assets	15,166	35,482
Amounts due from related companies	501	295
Equity investments designated at fair value through other comprehensive income	257,050	265,308
Financial assets at fair value through profit or loss	4,025	2,880
Restricted cash	58	60
Time deposits	12,076	19,460
Cash and cash equivalents	62,529	47,043
Total current assets	748,790	778,554

CHYY Development Group Limited

Interim Report 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
CURRENT LIABILITIES			
Trade and bills payables	12	182,537	199,801
Other payables and accruals		407,433	48,483
Contract liabilities		42,144	33,412
Amounts due to associates		17,719	18,364
Amounts due to a joint venture		216	223
Amounts due to related companies		27,786	28,678
Lease liabilities		1,628	6,796
Tax payable		135,828	140,204
Total current liabilities		815,291	835,961
NET CURRENT (LIABILITIES)		(66,501)	(57,407)
TOTAL ASSETS LESS CURRENT LIABILITIES		387,452	411,888
NON-CURRENT LIABILITIES			
Lease liabilities		71,586	73,850
Deferred income		8,677	8,955
Deferred tax liabilities		42,962	44,391
Total non-current liabilities		123,225	127,196
Net assets		264,227	284,692

		30 June 2023	31 December 2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	353,043	353,043
Shares held for Share Award Scheme		(8,169)	(8,169)
Other reserves		(113,010)	(94,059)
		231,864	250,815
Non-controlling interests		32,363	33,877
Total equity		264,227	284,692

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent												
	Shares held for Share				Assets			Exchange			Non-controlling		Total equity
	Share Capital	Share Premium	Awards Scheme	Statutory reserve	revaluation reserve	Contributed Surplus	Special reserve	Capital reserve	fluctuation reserve	Accumulated losses	Total	interests	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2022 (audited)	353,043	906,013	(8,169)	2,935	45,448	154,381	7553	85,707	(907)	(1,144,010)	401,994	26,186	428,180
(Loss) for the period	-	-	-	-	-	-	-	-	-	(36,024)	(36,024)	(1,139)	(37,163)
Other comprehensive (loss) for the period	-	-	-	-	-	-	-	-	(7,235)	-	(7,235)	(1,293)	(8,528)
Total comprehensive (loss) for the period	-	-	-	-	-	-	-	-	(7,235)	(36,024)	(43,259)	(2,432)	(45,691)
Shares purchased for Share Awards Scheme	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2022 (unaudited)	353,043	906,013	(8,169)	2,935	45,448	154,381	7553	85,707	(8,142)	(1,180,034)	358,735	23,754	382,489

	Attributable to owners of the parent												
	Shares held for Share				Assets			Exchange			Non-controlling		Total equity
	Share Capital	Share Premium	Awards Scheme	Statutory reserve	revaluation reserve	Contributed Surplus	Special reserve	Capital reserve	fluctuation reserve	Accumulated losses	Total	interests	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2023 (audited)	353,043	906,013	(8,169)	5,733	38,358	154,381	7553	85,428	(11,799)	(1,279,726)	250,815	33,877	284,692
Profit for the period	-	-	-	-	-	-	-	-	-	(15,562)	(15,562)	(460)	(16,022)
Other comprehensive (loss) for the period:													
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	(2,221)	-	(2,221)	(1,054)	(3,275)
Share of other comprehensive expense of a joint venture	-	-	-	-	-	-	-	-	(240)	-	(240)	-	(240)
Share of other comprehensive expense of associates	-	-	-	-	-	-	-	-	(920)	-	(920)	-	(920)
Total comprehensive (loss) for the period	-	-	-	-	-	-	-	-	(3,389)	(15,562)	(18,951)	(1,514)	(20,465)
At 30 June 2023 (unaudited)	353,043	906,013	(8,169)	5,733	38,358	154,381	7553	85,428	(15,188)	(1,295,288)	231,864	32,363	264,227

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows (used) in operating activities	14,981	(30,434)
Net cash flows from investing activities	1,269	4,158
Net cash flows (used in) financing activities	<u>—</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents	16,250	(26,276)
Cash and cash equivalents at the beginning of period	47,043	87,069
Effect of foreign exchange rate changes, net	<u>(764)</u>	<u>(783)</u>
Cash and cash equivalents at the end of period	<u>62,529</u>	<u>60,010</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. CORPORATE INFORMATION

CHYY Development Group Limited (the “Company”) was incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The addresses of the registered office and principal place of business in Hong Kong of the Company are P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and 8/F, Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong respectively.

During the six months ended 30 June 2023, the Group was involved in the following principal activities:

- Provision, installation and maintenance of shallow geothermal energy utilisation system
- Trading of air conditioning/shallow geothermal heat pump products
- Investment in properties for their potential rental income
- Trading of securities and other types of investments

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with Hong Kong Accounting Standard 34 (“HKAS 34”), Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements for the six months ended 30 June 2023 are consistent with those adopted in the annual financial statements for the year ended 31 December 2022. The condensed consolidated interim financial statements for the six months ended 30 June 2023 should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

On 1 January 2023, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and interpretations that are effective from that date and are relevant to its operations. The adoption of these new/revised HKFRSs, amendments and interpretations has no material effect on the results reported for the current or prior periods.

3. OPERATING SEGMENT INFORMATION

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 system;
- (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 – trading of securities and other types of investment.

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

Segment assets exclude certain investments in associates, deferred tax assets, 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 and related companies, interest-bearing bank borrowings, deferred tax liabilities and tax payable as these liabilities are managed on a group basis.

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

(a) Segment revenue and results

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2023 and 2022, respectively:

	Shallow geothermal energy		Air conditioning/Shallow geothermal heat pump		Property investment and development		Securities investment and trading		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Segment revenue (note 4)										
Sales to external customers	28,977	45,487	1,000	187	4,400	4,675	-	-	34,377	50,349
Intersegment sales	5,899	6,704	673	96	-	-	-	-	6,572	6,800
	34,876	52,191	1,673	283	4,400	4,675	-	-	40,949	57,149
Reconciliation:										
Elimination of intersegment sales									(6,572)	(6,800)
Revenue									34,377	50,349
Segment results	8,788	7,388	(679)	(45)	220	267	-	-	8,329	7,202
Reconciliation:										
Elimination of intersegment results									-	-
Share of profits or losses of associates									(2,676)	(7,547)
Unallocated other income									4,415	2,787
Corporate and other unallocated expenses									(25,779)	(39,173)
Finance costs (other than interest on lease liabilities)									(313)	(516)
(Loss) before tax									(16,024)	(37,247)

(b) Segment assets and liabilities

The following tables present assets and liabilities information for the Group's operating segments as at 30 June 2023 and 31 December 2022, respectively:

	30 June 2023				
	Shallow geothermal energy HK\$'000 (Unaudited)	Air conditioning/ shallow geothermal heat pump HK\$'000 (Unaudited)	Property investment and development HK\$'000 (Unaudited)	Securities investment and trading HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	532,419	40,305	424,939	317,107	1,314,770
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(204,702)
Corporate and other unallocated assets					92,675
Total assets					<u>1,202,743</u>
Segment liabilities	509,820	352	347,156	10,121	867,449
<i>Reconciliation:</i>					
Elimination of intersegment payables					(204,702)
Corporate and other unallocated liabilities					275,769
Total liabilities					<u>938,516</u>

31 December 2022

	Shallow geothermal energy HK\$'000 (Audited)	Air conditioning/ shallow geothermal heat pump HK\$'000 (Audited)	Property investment and development HK\$'000 (Audited)	Securities investment and trading HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	596,795	4,946	497,205	326,023	1,461,969
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(331,790)
Corporate and other unallocated assets					117,670
Total assets					1,247,849
Segment liabilities	578,962	43,310	354,651	11,190	988,113
<i>Reconciliation:</i>					
Elimination of intersegment payables					(331,790)
Corporate and other unallocated liabilities					306,837
Total liabilities					963,157

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	18,143	22,034	29,977	45,674
<i>Revenue from other sources</i>				
Rental income	4,400	4,675	4,400	4,675
	22,543	26,709	34,377	50,349

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

Segments	Shallow geothermal energy HK\$'000 (Unaudited)	Air conditioning/ shallow geothermal heat pump HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Types of goods or services:			
Sale of industrial products	–	1,000	1,000
Construction services	<u>28,977</u>	<u>–</u>	<u>28,977</u>
Total revenue from contracts with customers	<u>28,977</u>	<u>1,000</u>	<u>29,977</u>
Geographical markets:			
Mainland China	<u>28,977</u>	<u>1,000</u>	<u>29,977</u>
Timing of revenue recognition:			
Goods transferred at a point in time	–	1,000	1,000
Services transferred over time	<u>28,977</u>	<u>–</u>	<u>28,977</u>
Total revenue from contracts with customers	<u>28,977</u>	<u>1,000</u>	<u>29,977</u>

For the six months ended 30 June 2022

Segments	Shallow geothermal energy HK\$'000 (Unaudited)	Air conditioning/ shallow geothermal heat pump HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
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Types of goods or services:

Sale of industrial products	–	187	187
Construction services	50,162	–	50,162
	<u>50,162</u>	<u>187</u>	<u>50,349</u>
Total revenue from contracts with customers	<u>50,162</u>	<u>187</u>	<u>50,349</u>

Geographical markets:

Mainland China	50,162	187	50,349
	<u>50,162</u>	<u>187</u>	<u>50,349</u>

Timing of revenue recognition:

Goods transferred at a point in time	–	187	187
Services transferred over time	50,162	–	50,162
	<u>50,162</u>	<u>187</u>	<u>50,349</u>
Total revenue from contracts with customers	<u>50,162</u>	<u>187</u>	<u>50,349</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the six months ended 30 June 2023

Segments	Shallow geothermal energy HK\$'000 (Unaudited)	Air conditioning/ shallow geothermal heat pump HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from contracts with customers:			
External customers	28,977	1,000	29,977
Intersegment sales	<u>5,899</u>	<u>673</u>	<u>6,572</u>
	34,876	1,673	36,549
Intersegment adjustments and eliminations	<u>(5,899)</u>	<u>(673)</u>	<u>(6,572)</u>
Total revenue from contracts with customers	<u><u>28,977</u></u>	<u><u>1,000</u></u>	<u><u>29,977</u></u>

For the six months ended 30 June 2022

Segments	Shallow geothermal energy HK\$'000 (Unaudited)	Air conditioning/ shallow geothermal heat pump HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from contracts with customers:			
External customers	50,162	187	50,349
Intersegment sales	<u>6,704</u>	<u>96</u>	<u>6,800</u>
	56,866	283	57,149
Intersegment adjustments and eliminations	<u>(6,704)</u>	<u>(96)</u>	<u>(6,800)</u>
Total revenue from contracts with customers	<u>50,162</u>	<u>187</u>	<u>50,349</u>

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other income				
Interest income	349	2	380	96
Sale of scrap materials	162	-	189	-
Dividend income from equity investment designated at fair value through other comprehensive income	-	-	1,288	-
Waive of trade payables	2,509	-	2,509	-
Others	505	-	1,373	2,678
	<u>3,525</u>	<u>2</u>	<u>5,739</u>	<u>2,774</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank loans	139	283	313	516
Interest on lease liabilities	1,739	2,011	1,739	2,011
	<u>1,878</u>	<u>2,394</u>	<u>2,052</u>	<u>2,527</u>

6. (LOSS) BEFORE TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	6,123	7,310	10,335	18,110
Cost of services provided	9,781	14,951	15,185	24,598
Depreciation	2,258	1,690	3,464	3,710
Employee benefit expense (including directors' and chief executive's remuneration)	8,626	10,470	17,710	23,000

7. INCOME TAX EXPENSE

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI during both periods.

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 periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and 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 six months ended 30 June 2023 (six months ended 30 June 2022: 15%).

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current – Mainland China	(2)	(84)	(2)	(84)
Deferred	-	-	-	-
Total tax charge for the period	<u>(2)</u>	<u>(84)</u>	<u>(2)</u>	<u>(84)</u>

8. DIVIDENDS

No interim dividend was paid, declared or proposed during the six months ended 30 June 2023, nor has any dividend been proposed since the end of the interim reporting period (six months ended 30 June 2022: Nil).

9. (LOSS) PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss) per share amounts is based on the (loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,526,925,163 (30 June 2022: 4,439,459,798) in issue during the period.

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

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)				
(Loss) for the period attributable to ordinary equity holders of the parent	<u>136</u>	<u>(21,230)</u>	<u>(15,562)</u>	<u>(36,024)</u>
	Number of shares			
	'000	'000	'000	'000
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<u>4,526,925</u>	<u>4,439,459</u>	<u>4,526,925</u>	<u>4,439,459</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group did not have any material acquisition of property, plant and equipment.

11. TRADE AND BILLS RECEIVABLES

	30 June 2023	31 December 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	272,785	278,381
Impairment	(186,592)	(189,786)
Trade receivables, net	90,656	88,595
Less: non-current portion	(68,680)	(65,468)
Current portion	21,976	23,127

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

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

	30 June 2023	31 December 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 90 days	77,618	76,749
91 to 180 days	1,149	648
181 to 365 days	4,102	3,494
Over 365 days	7,787	7,704
	90,656	88,595

12. TRADE AND BILLS PAYABLES

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 90 days	42,030	39,973
91 to 180 days	16,887	16,372
181 to 365 days	9,777	12,261
Over 365 days	113,843	131,195
	182,537	199,801

The trade and bills payables are non-interest-bearing and are normally settled in six months.

13. SHARE CAPITAL

	Number of shares		Share capital		Share capital	
	US\$0.01 each		US\$'000		HK\$'000	
	30 June 2023 '000 (Unaudited)	31 December 2022 '000 (Audited)	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Ordinary shares						
Issued and fully paid	4,526,925	4,526,925	45,269	45,269	353,043	353,043

14. CAPITAL COMMITMENTS

The Group did not have any material capital commitment at the end of the reporting period.

15. RELATED PARTY TRANSACTIONS

- (a) Amounts due from/to related companies and associates are included in the condensed consolidated statement of financial position.
- (b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)

Associates:

Purchases of products	7	98	61	333
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Other related parties:

Rental expense	165	155	330	329
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- (c) Compensation of key management personnel of the Group:

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)

Short term employee benefits	2,237	2,120	4,045	4,180
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Post-employment benefits	-	-	-	-
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Total compensation paid to key management personnel	<u>2,237</u>	<u>2,120</u>	<u>4,045</u>	<u>4,180</u>
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16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Unaudited)
Financial assets				
Trade receivables, non-current portion	68,680	65,468	68,680	65,468
Equity investments designated at fair value through other comprehensive income	55,572	57,357	55,572	57,357
Financial assets at fair value through profit or loss	4,025	2,880	4,025	2,880
	128,277	125,705	128,277	25,705
Financial liabilities				
Interest-bearing bank borrowings	-	-	-	-

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.

17. EVENTS AFTER THE REPORTING PERIOD

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

In January 2022, Ever Source Investment was notified by Beijing Life Insurance Co., Ltd. (“Beijing Life”) that they received a notice of assistance in enforcement and a civil ruling issued by the Beijing First Intermediate People’s Court. According to the civil ruling, the court ruled to implement the assets preservative measures applied by Shanghai Gangze (as the applicant) against Ever Source Investment (as the respondent) and Beijing Rungu (as the respondent) by freezing the bank deposits or seizure and impounding the assets with the equivalent sum that held by Ever Source Investment and Beijing Rungu respectively. The limits imposed on Ever Source Investment and Beijing Rungu are RMB245,217,995.83 and RMB8,217,995.83 respectively. In addition, according to the notice of assistance in enforcement, Beijing Life is required to assist in freezing the 4.99965% equity interest of Beijing Life held by Ever Source Investment, corresponding to the paid-up capital of RMB142,990,000, for 3 years commencing from 12 January 2022 to 11 January 2025. During the freezing period, transfer, sale and pledge of the above equity interests are prohibited without the permission of the court. At the reporting date, Ever Source Investment’s bank account with Beijing Rural Commercial Bank has been frozen with the amount of RMB50,288.

In November 2022, Ever Source Investment received a civil judgement (the “Civil Judgement”) in respect of the litigation case No. (2021) Jing 01 Min Chu No.860 ((2021)京01民初860號) from the First Intermediate People’s Court of Beijing (the “Beijing Court”). According to the Civil Judgement, the Beijing Court ruled that the Plaintiff Shanghai Gangze shall perform that (i) Shanghai Gangze shall compensate Ever Source Investment for the loss of legal fees of RMB200,000 within 10 days after this judgment takes into effect; and (ii) reject all claims from Shanghai Gangze. If Shanghai Gangze failed to perform its monetary obligation within the period specified in this judgment, it shall pay double the debt interest during the delayed performance period in accordance with the provisions of Article 260 of the Civil Procedure Law of the People’s Republic of China. The acceptance fee of the case, the property preservation fee and the acceptance fee of the counterclaim case are all borne by Shanghai Gangze.

In December 2022, Shanghai Gangze Trading Company Limited (上海港澤貿易有限公司) filed an appeal so far the second instance has not yet been heard, the industrial and commercial registration has not been changed and Ever Source Investment is still a shareholder of Beijing Life.

The Company considered that the above court ruling has no significant adverse effect on the normal operation and financial of the Group. The Company will vigorously respond to the litigation and will make further announcement(s) to keep its shareholders and investors informed of any significant development of the litigation as and when appropriate.

- (2) On 22 September 2023, a wholly-owned subsidiary of the Company (Ever Source Science and Technology Development Group., Ltd.) (the “Vendor”) entered into this Agreement with Sichuan Changhong Air Condition Co., Ltd (the “Purchaser”), pursuant to which the Seller agreed to sell for a consideration of RMB19.618 million, and the Purchaser agreed to acquire 34% of the equity interest in Target company Hong Yuan Ground Source Heating Pump Technology Co., Ltd. for a consideration of RMB19.618 million. After the completion of the transaction, the Group will still hold 15% of the equity interest in Hong Yuan Ground Source Heating Pump Technology Co., Ltd., which will still be recorded as an associate of the Company in the Group’s consolidated financial statements. For details, please refer to the Company’s announcement on 22 September 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions in Shares and Underlying Shares

Name of Director	Capacity	Number of Shares interested by nature	Percentage of total issued Shares capital of the Company ⁽¹⁾
Mr. Xu Shengheng (徐生恒先生)	Beneficial owner	717,670,600	15.85%
	Interest of spouse ⁽⁵⁾	982,800	0.02%
Ms. Chan Wai Kay Katherine (陳蕙姬女士)	Beneficial owner	62,290,400	1.38%
	Interest of spouse ⁽⁶⁾	14,103,600	0.31%
Ms. Liu Ening (劉炯寧女士)	Beneficial owner	250,000,000	5.52%
Mr. Zhang Yiyi (張軼穎先生)	Beneficial owner	2,504,000	0.06%
	Interest of Controlled Corporation ⁽²⁾	250,000,000	5.52%
Mr. Jia Wenzeng (賈文增先生)	Beneficial owner	2,000,000	0.04%
Mr. Wu Desheng (吳德繩先生)	Beneficial owner	2,000,000	0.04%
Mr. Wu Qiang (武強先生)	Beneficial owner	2,000,000	0.04%
Mr. Guan Chenghua (關成華先生)	Beneficial owner	2,000,000	0.04%
Mr. Wang Manquan ⁽³⁾ (王滿全先生)	Beneficial owner	716,800	0.02%
Mr. Pan Ya ⁽⁴⁾ (潘亞先生)	Beneficial owner	260,000	0.01%

Notes:

- (1) The calculation is based on (i) the aggregate number of the shares of the Company (“Shares”) and the underlying Shares, if any; and (ii) the total number of 4,526,925,163 Shares in issue of the Company as at 31 December 2022 used for the calculation of the approximate percentage.
- (2) Universal Zone Limited, which is wholly owned by Mr. Zhang Yiying, holds 250,000,000 Shares. Under the SFO, Mr. Zhang Yiying is deemed to be interested in all the shares held by Universal Zone Limited.
- (3) Mr. Wang Manquan resigned as executive Director of the Company with effect from 30 June 2022, but he remained as the chief security officer and vice president of the Group. Please refer to the announcement of the Company dated 30 June 2022 for detail. He resigned as the chief security officer and vice president of the Group with effect from 31 December 2022.
- (4) Mr. Pan Ya (潘亞先生) resigned as an executive director of the Company on 30 June 2022 and he still serves as the position of the chief financial officer of the Group. For details, please refer to the announcement dated 30 June 2022 for details.
- (5) These 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).
- (6) These 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. Under 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).

Save as disclosed above, as at 30 June 2023, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 30 June 2023, persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:

Long Positions in shares and equity derivatives

Name	Capacity	Number of Shares interested	Percentage of total issued Shares capital of the Company ⁽¹⁾
China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited ⁽²⁾	Beneficial interest	1,190,000,000	26.29%
China Energy Conservation and Environmental Protection Group ⁽²⁾	Interest of controlled corporation	1,190,000,000	26.29%
Ms. Luk Hoi Man (陸海汶女士) ⁽⁵⁾	Beneficial owner	982,800	15.88%
	Interest of spouse	717,670,600	
Mr. Zhang Yiyi (張軼穎先生) ⁽⁴⁾	Beneficial owner	2,504,000	0.06%
Universal Zone Limited ⁽⁴⁾	Interest of controlled corporation	250,000,000	5.52%
Mr. Wang Zhiyu (王志宇先生) ⁽³⁾	Interest of spouse	250,000,000	5.52%

Notes:

- (1) The calculation is based on (i) the aggregate number of Shares and the underlying Shares, if any; and (ii) the total number of 4,526,925,163 Shares in issue of the Company as at 31 December 2022 used for the calculation of the approximate percentage.

- (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.
 - (3) Such interests are beneficially owned by Mr. Wang Zhiyu# (王志宇先生), the spouse of Ms. Liu Enning (劉嫻寧女士), and is therefore deemed to be interested in all the interests held by Ms. Liu Enning.
 - (4) Such interest is beneficially held by Universal Zone Limited (“Universal Zone”), which is beneficially owned by Mr. Zhang Yiyong (張軼穎先生), and is therefore deemed to be interested in all the interests held by Universal Zone under the SFO.
 - (5) 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 717,670,600 Shares. Pursuant to the SFO, Ms. Luk Hoi Man (陸海汶女士) is deemed to be interest in all the interest held by Mr. Xu Shengheng (徐生恒先生).
- # Mr. Wang Zhiyu resigned as an non-executive Director of the Company with effect from 12 March 2021.

Save as disclosed above, as at 30 June 2023, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

SHARE AWARD SCHEME

On 15 January 2020 (the “Adoption Date”), the Board approved the adoption of a share award scheme (the “Share Award Scheme”). The purposes of the Share Award Scheme are to recognise and reward the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For details of the Share Award Scheme, please refer to the announcement of the Company dated 15 January 2020.

Since the Adoption Date and up to 30 June 2023, a total of 58,000,000 awarded shares had been awarded and vested in accordance with the terms of Share Award Scheme and the vesting conditions as specified by the Board.

During the six months ended 30 June 2023, no awarded shares under the Share Award Scheme was granted.

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's primary duties are to review and to supervise the financial reporting process, risk management and internal control systems of the Group and to provide advice and comments to the directors of the Company.

The audit committee currently comprises four independent non-executive Directors, namely, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Wu Qiang. Mr. Jia Wenzeng is the chairman of the audit committee. The audit committee has reviewed the Group's unaudited results for the Review Period and has provided advice and comment thereon.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not adopted its own code of conduct regarding securities transactions by directors, but having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and its code of conduct regarding securities transactions by directors during the Review Period.

CORPORATE GOVERNANCE CODE

During the Review Period, the Company has complied with the code provisions of the Corporate Governance Code (the “Code”) set out in Appendix 15 of the GEM Listing Rules, except for the deviations as follows:

Under 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.

As the Company’s AGM has not yet been held at the time of publication of this report (the Company’s AGM will be held on 9 November 2023), there is no record of attendance.

UPDATE ON DIRECTORS INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, no other information for the six months ended 30 June 2023 is required to disclose.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Review Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

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

By Order of the Board of
CHYY Development Group Limited
Xu Shengheng
Chairman

Hong Kong, 11 October 2023