



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

# TECHNOLOGY AND RESOURCES LINKS

Third Quarterly Report 2022





## **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.**

*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.*

*The original report of CHYY Development Group Limited is prepared in the Chinese language. This report is translated into English. In the event of any inconsistencies between the English and the Chinese version, the latter shall prevail.*



## HIGHLIGHTS

Revenue for the nine months ended 30 September 2022 (the “Review Period”) amounted to approximately HK\$70,091,000.

Net loss after tax of the Group for the Review Period amounted to approximately HK\$44,911,000.

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 nine months ended 30 September 2022.

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue				
– Shallow geothermal energy	<b>14,573</b>	44,922	<b>60,060</b>	127,460
– Air conditioning/shallow geothermal heat pump	<b>3,434</b>	2,420	<b>3,621</b>	3,744
– Property investment and development	<b>1,735</b>	2,777	<b>6,410</b>	7,361
	<b>19,742</b>	50,119	<b>70,091</b>	138,565
<b>Loss for the period</b>	<b>(7,748)</b>	(16,707)	<b>(44,911)</b>	(45,418)
<b>Loss attributable to owners of the parent</b>	<b>(7,207)</b>	(16,703)	<b>(43,231)</b>	(43,666)



During the Review Period, the Group recorded revenue of approximately HK\$70,091,000 mainly from the shallow geothermal energy business, as compared to approximately HK\$138,565,000 recorded for the same period of last year. The revenue decreased by approximately HK\$68,474,000 as compared to the same period of last year. During the period, the revenue of shallow geothermal energy system decreased, mainly due to the slow down of economic growth caused by the pandemic, the number of new contracts signed in the 1st to 3rd quarter of 2022 was in relatively low level, coupled with the number of projects under construction decreased compared with the same period last year, resulted in the shrinking of the revenue. The gross profit margin of the Group decreased by 1.59% compared with the same period of last year. The gross profit margin for the nine months ended 30 September 2022 was 19.57%, as compared to 21.16% for the same period last year.

Other income and gains decreased from approximately HK\$11,710,000 for the same period last year to approximately HK\$3,659,000 for the nine months ended 30 September 2022.

For the nine months ended 30 September 2022 and 2021, selling and distribution expenses were approximately HK\$13,555,000 and HK\$15,912,000 respectively. During the Review Period, the sales and distribution expenses decreased compared with the same period of last year, which was mainly due to the reduction of some expenses caused by the Group's continuous cost reduction and cost saving.

During the Review Period, administrative expenses decreased by approximately HK\$30,124,000 or 45.45% as compared with that of same period last year. The decrease in administrative expenses was mainly due to the reduction of certain expenses caused by the Group's continuous cost reduction program, salary reform and other measures caused by a significant reduction in salary and related expenses.

For the nine months ended 30 September 2022, financing costs were approximately HK\$4,348,000, as compared to approximately HK\$3,305,000 for the same period last year. Finance costs are mainly attributable to leasing of premises under the current accounting standard.

For the nine months ended 30 September 2022, the loss for the period was approximately HK\$44,911,000, as compared to the loss of approximately HK\$45,418,000 for the same period last year. During the Review Period, although the revenue narrowed significantly, loss decreased by approximately HK\$507,000 recorded for the same period of last year, mainly attributed by the significant reduction in expenses.

## **BUSINESS REVIEW AND OUTLOOK**

During the Review Period, the Group recorded approximately HK\$70,091,000 in revenue as compared with approximately HK\$138,565,000 in the same period last year. Revenue dropped by approximately HK\$68,474,000 as compared with that of the same period last year which was mainly attributable to the revenue of shallow geothermal energy system declined. The Group's gross profit margin for the first nine months ended 30 September 2022 was 19.57% which was decreased by 1.59% from 21.16% of the same period last year.

The industry in which the Group operating in is highly consistent with the national strategy, although the Group is currently facing many operational difficulties due to the pandemic, the industry is still in the developing stage with broader development opportunities as well as market potential. During the Review Period, the management of the Group conscientiously learnt from experience and, adjust its business strategy. Due to the slowing economic growth, the Group is currently suffering from expanding its revenue, and is proactively controlling on any cost incurred and expenses arised. In a general principle, the Group shall not allow any advance payment on behalf of customer(s) in order to reduce the burden and provide foundation for the further development of the Group.

In practice, the Group has undertaken certain construction project(s) in which the settlement of the project(s) are later than the construction of the project(s). There are more advances in the early stage of the project, and the partial settlement and partial receivable of the later stage of the project(s) are in slow momentum. Meanwhile, the recovery of the accounts receivable is highly affected by the economic environment and the relevant regulations issued by the government from time to time. Due to the impact of policies, financial budgets and capital status, there are risks of delay in project settlement resulting in delay in collection of accounts receivable. During the Review Period, in order to further strengthen the Company's accounts receivable



settlement, speed up the Company's capital recovery, improve the efficiency of capital usage, and strictly control capital risks, the Group has established a special debt collection unit, and the accounts receivable are being classified and graded, focusing on high risk accounts receivable based on aging; and thus the relevant collection plans are formulated on a case by case basis. Multiple methods are adopted to all level of employees, through speeding up the settlement of projects, and proactively collecting in various construction project(s) in arrears, so as to provide financial stability for the further development of the Group.

Although the Group's current revenue source is narrow, we still further strengthen its market development efforts, quickly responds to the impact of the epidemic and changes in the external environment, and actively exerts the synergy effect with China Energy Conservation and Environmental Protection Group Limited\* (中國節能環保集團公司).

During the epidemic, the impact of the Group was mainly reflected in the delay in bidding for construction project(s) and the restrictions on the commencement of construction etc. The delay in the construction progress of existing projects shall resulted in the delay in the collection of accounts receivables'.

During the Review Period, the Group continued to improve its corporate governance system in operation level through strengthening the system infrastructure and internal control system i.e. improving the review process of procurement contracts and subcontractor contracts and improving the payment process to reduce liquidity risks. In the near future, the Group will focus on deepening the development on core business by using shallow ground energy as a heating alternative energy to achieve rapid business recovery and expansion, improving brand and industry influence and steadily improvement, and further strengthen the Company's core competition to make strong contribution to the high-quality development of the Group.

## **FINANCIAL RESULTS**

The Board of Directors (the "Board") of CHYY Development Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and nine months ended 30 September 2022 together with the unaudited comparative figures for the corresponding periods in 2021 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	19,742	50,119	70,091	138,565
Cost of sales		(13,662)	(49,535)	(56,371)	(109,249)
Gross profit		6,080	584	13,720	29,316
Other income and gains	3	885	9,365	3,659	11,710
Selling and distribution expenses		(4,670)	(5,441)	(13,555)	(15,912)
Administrative expenses		(7,541)	(20,753)	(36,149)	(66,273)
Gain on disposal of a subsidiary		-	-	-	5,672
Finance costs	4	(1,811)	(1,438)	(4,338)	(3,305)
Others expenses		(24)	(16)	(117)	(109)
Share of profits and losses of:					
A joint venture		(160)	-	(474)	-
Associates		348	837	(6,886)	(6,660)
Fair value changes on financial assets designated at fair value through profit or (loss)		(859)	-	(859)	-
<b>(Loss) before tax</b>	5	<b>(7,752)</b>	(16,862)	<b>(44,999)</b>	(45,561)
Income tax expense	6	4	155	88	143
<b>(Loss) for the period</b>		<b>(7,748)</b>	(16,707)	<b>(44,911)</b>	(45,418)
Attributable to:					
Owners of the parent		(7,207)	(16,703)	(43,231)	(43,666)
Non-controlling interests		(541)	(4)	(1,680)	(1,752)
		<b>(7,748)</b>	(16,707)	<b>(44,911)</b>	(45,418)
<b>(Loss) per share attributable to ordinary equity holders of the parent</b>					
Basic and diluted (expressed in HK\$ cents)	8	<b>(0.162)</b>	(0.376)	<b>(0.974)</b>	(0.985)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2022

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>(Loss) for the period</b>	<b>(7,748)</b>	(16,707)	<b>(44,911)</b>	(45,418)
<b>Other comprehensive (loss)/income:</b>				
<b>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</b>				
Exchange differences:				
Exchange differences on translation of foreign operations	<b>(15,827)</b>	3,084	<b>(22,405)</b>	5,352
Share of other comprehensive income of associates	<b>8,637</b>	4	<b>6,687</b>	328
<b>Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods</b>	<b>(7,190)</b>	3,088	<b>(15,718)</b>	5,680

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	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</b>				
Equity investments designated at fair value through other comprehensive income:				
Changes in fair value	-	-	-	-
Loss on property revaluation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</b>	<b>(7,190)</b>	<b>3,088</b>	<b>(15,718)</b>	<b>5,680</b>
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive (loss) for the period</b>	<b>(14,938)</b>	<b>(13,619)</b>	<b>(60,629)</b>	<b>(39,738)</b>
Attributable to:				
Owners of the parent	(11,949)	(15,371)	(55,208)	(40,066)
Non-controlling interests	(2,989)	1,752	(5,421)	328
	<u>(14,938)</u>	<u>(13,619)</u>	<u>(60,629)</u>	<u>(39,738)</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 30 September 2022*

## 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 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, Hong Kong respectively.

During the nine months ended 30 September 2022, 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 financial statements for the nine months ended 30 September 2022 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 financial statements for the nine months ended 30 September 2022 are consistent with those adopted in the annual financial statements for the year ended 31 December 2021. The condensed consolidated interim financial statements for the nine months ended 30 September 2022 should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

On 1 January 2022, 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. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customers	<b>18,007</b>	47,342	<b>63,681</b>	131,204
Revenue from other sources				
Gross rental income	<b>1,735</b>	2,777	<b>6,410</b>	7,361
	<b>19,742</b>	50,119	<b>70,091</b>	138,565
<b>Types of goods or services</b>				
Sale, installation and maintenance of shallow geothermal energy utilisation system	<b>14,573</b>	44,922	<b>60,060</b>	127,460
Sale of air conditioning/ shallow geothermal heat pump products	<b>3,434</b>	2,420	<b>3,621</b>	3,744
Rental income	<b>1,735</b>	2,777	<b>6,410</b>	7,361
<b>Total revenue</b>	<b>19,742</b>	50,119	<b>70,091</b>	138,565
<b>Geographical market</b>				
Mainland China	<b>19,742</b>	50,119	<b>70,091</b>	138,565
<b>Total revenue</b>	<b>19,742</b>	50,119	<b>70,091</b>	138,565

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	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	<b>3,434</b>	2,420	<b>3,621</b>	3,744
Services transferred over time	<b>16,308</b>	44,922	<b>66,470</b>	127,460
<b>Total revenue from contracts with customers</b>	<b>18,007</b>	47,342	<b>63,681</b>	131,204
<b>Rental income</b>	<b>1,753</b>	2,777	<b>6,410</b>	7,361
<b>Total revenue</b>	<b>19,742</b>	50,119	<b>70,091</b>	138,565

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Other income</b>				
Interest income	<b>50</b>	8,452	<b>175</b>	8,541
Dividend income from financial assets at fair value through profit or loss	<b>25</b>	3	<b>25</b>	3
Dividend income from financial assets at fair value through other comprehensive income	–	–	–	–
Government grants ( <i>Note</i> )	<b>742</b>	254	<b>742</b>	1,208
Others	<b>68</b>	656	<b>2,717</b>	1,958
	<b>885</b>	9,365	<b>3,659</b>	11,710
<b>Loss</b>				
Fair value change on financial assets at fair value through profit or loss	<b>(859)</b>	–	<b>(859)</b>	–
	<b>26</b>	9,365	<b>2,800</b>	11,710

*Note:* 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.

#### 4. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank loans	-	1,406	-	3,273
Other interests	866	-	1,400	-
Interest on lease liabilities	945	32	2,938	32
	<b>1,811</b>	1,438	<b>4,338</b>	3,305

#### 5. (LOSS) BEFORE TAX

(Loss) before tax is arrived at after charging:

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	18,110	28,400	25,367	46,907
Cost of services provided	24,598	31,314	31,004	62,342
Depreciation	3,710	3,670	4,900	9,760
Employee benefit expense (including directors' and chief executive remuneration)	23,000	29,400	31,120	52,573

## 6. 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 nine months ended 30 September 2022 (nine months ended 30 September 2021: 15%).

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current – Mainland China	172	155	88	143
Deferred	—	—	—	—
Total tax charge for the period	172	155	88	143

## 7. DIVIDENDS

No interim dividend was paid, declared or proposed during the nine months ended 30 September 2022, nor has any dividend been proposed since the end of the reporting period (nine months ended 30 September 2021: Nil).

## 8. LOSS 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 4,433,055,000 (2021: 4,433,055,000) in issue during that period.

The calculation of the basic and diluted loss per share based on:

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>(Loss)</b>				
Loss for the period attributable to ordinary equity holders of the parent	<b>(7,207)</b>	(16,703)	<b>(43,231)</b>	(43,666)
	'000	'000	'000	'000
<b>Shares</b>				
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculations	<b>4,433,055</b>	4,447,637	<b>4,433,055</b>	4,433,055

## 9. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2022

	Attributable to owners of the parent												Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Statutory reserve HK\$'000	Assets revaluation reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Share option reserve/ Share award reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		Non-controlling interests HK\$'000
At 31 December 2020 (audited)	353,043	904,645	(7,676)	2,935	39,300	154,381	7,553	50,878	4,620	(14,616)	(1,046,835)	448,424	28,746	447,174
Loss for the period	-	-	-	-	-	-	-	-	-	-	(43,668)	(43,668)	(1,752)	(45,418)
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-	5,352	-	5,352	328	(5,680)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-	5,352	(43,668)	(38,314)	(1,424)	(39,738)
Adjustment on expiry of share option	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares purchased for share award scheme	-	-	(3,785)	-	-	-	-	-	-	-	-	(3,785)	-	(3,785)
At 30 September 2021 (unaudited)	353,043	904,645	(11,461)	2,935	39,300	154,381	7,553	50,878	4,620	(9,264)	(1,090,501)	406,329	27,322	433,651

	Attributable to owners of the parent												Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Statutory reserve HK\$'000	Assets revaluation reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Share option reserve/ Share award reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		Non-controlling interests HK\$'000
At 31 December 2021 (audited)	353,043	906,013	(8,168)	2,935	45,448	154,381	7,553	85,707	-	(907)	(1,144,010)	401,994	28,186	4,428,180
Loss for the period	-	-	-	-	-	-	-	-	-	-	(43,231)	(43,231)	(1,680)	(44,911)
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-	(12,174)	-	(12,174)	(3,741)	(15,915)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-	(12,174)	(43,231)	(55,405)	(5,421)	(60,826)
Shares purchased for share award scheme	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 September 2022 (unaudited)	353,043	906,013	(8,168)	2,935	45,448	154,381	7,553	85,707	-	(13,081)	(1,187,241)	346,589	20,765	367,354

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

As at 30 September 2022, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors referred to in Rule 5.48 to Rule 5.67 of the GEM Listing Rules, were as follows:

## Long positions in the Ordinary Shares (the “Shares”) of the Company and underlying Shares

Name of Directors	Capacity	Number of Shares <sup>(7)</sup>		Percentage of
		interested by nature	Total	total issued Shares capital of the Company <sup>(1)</sup>
Mr. Xu Shengheng (徐生恆先生)	Beneficial owner	718,333,400 (L)		15.87%
	Interest of spouse <sup>(6)</sup>	982,800 (L)	719,316,200 (L)	0.02%
Ms. Chan Wai Kay Katherine (陳蕙姬女士)	Beneficial owner	62,290,400 (L)		1.38%
	Interest of spouse <sup>(6)</sup>	14,103,600 (L)	76,394,000 (L)	0.31%
Ms. Liu Ening (劉炯寧女士)	Beneficial owner	250,000,000 (L)	250,000,000 (L)	5.52%
Mr. Zhang Yiying (張執穎先生)	Beneficial owner	2,504,000 (L)		0.06%
	Interest of Controlled Corporation <sup>(2)</sup>	250,000,000 (L)	252,504,000 (L)	5.52%
Mr. Jia Wenzeng (賈文增先生)	Beneficial owner	2,000,000 (L)	2,000,000 (L)	0.04%
Mr. Wu Desheng (吳德繩先生)	Beneficial owner	2,000,000 (L)	2,000,000 (L)	0.04%
Mr. Wu Qiang (武強先生)	Beneficial owner	2,000,000 (L)	2,000,000 (L)	0.04%
Mr. Guan Chenghua (關成華先生)	Beneficial owner	2,000,000 (L)	2,000,000 (L)	0.04%
Mr. Wang Manquan <sup>(3)</sup> (王滿全先生)	Beneficial owner	716,800 (L)	716,800 (L)	0.02%
Mr. Pan Ya <sup>(4)</sup> (潘亞先生)	Beneficial owner	260,000 (L)	260,000 (L)	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 30 September 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 (王滿全先生) resigned as an executive director of the Company on 30 June 2022 and he still serves as the position of the chief security officer and vice president of the Group, please refer to the announcement of the Company dated 30 June 2022 for details.
- (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).
- (7) "L" denotes a long position.

Save as disclosed above, as at 30 September 2022, 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 September 2022, 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 the ordinary Shares (the “Shares”) of the Company and underlying Shares

Name	Capacity	Number of Shares interested <sup>(5)</sup>	Percentage of total issued Shares capital of the Company <sup>(1)</sup>
China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited <sup>(2)</sup>	Beneficial interest	1,190,000,000 (L)	26.29%
China Energy Conservation and Environmental Protection Group <sup>(2)</sup>	Interest of controlled corporation	1,190,000,000 (L)	26.29%
Mr. Xu Shengheng (徐生恆先生)	Beneficial owner	718,333,400 (L)	15.87%
Ms. Luk Hoi Man (陸海汶女士)	Interest of spouse	982,800 (L)	0.02%
Mr. Zhang Yiyang (張軼穎先生)	Beneficial owner	2,504,000 (L)	0.06%
Universal Zone Limited	Interest of controlled corporation	250,000,000 (L)	5.52%
Ms. Liu Ening (劉炯寧女士) <sup>(3)</sup>	Beneficial owner	250,000,000 (L)	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 30 September 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 Ms. Liu Enning (劉婀娜女士), the spouse of Mr. Wang Zhiyu<sup>#</sup> (王志宇先生), and is therefore deemed to be interested in all the interests held by Ms. Liu Enning.
- (4) "L" represents a long position.
- (5) Such interest is beneficially held by Universal Zone Limited ("Universal Zone"), which is beneficially owned by Mr. Zhang Yiyang (張軼穎先生), and is therefore deemed to be interested in all the interests held by Universal Zone under the SFO.

<sup>#</sup> *Mr. Wang Zhiyu resigned as a non-executive Director of the Company with effect from 12 March 2021.*

Save as disclosed above, as at 30 September 2022, 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 September 2022, 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 nine months ended 30 September 2022, none of awarded shares under the Share Award Scheme was granted.

During the nine months ended 30 September 2021, details of the awarded shares under the Share Award Scheme are set out below:

Awardees	Date of grant	Vesting date	Number of Shares				As at 30 September 2021
			As at 1 January 2021	Granted during the period	Vested during the period	Lapsed during the period	
<b>Directors</b>							
Mr. Xu Shengheng	7 July 2020	31 December 2020	4,000,000	-	4,000,000	-	-
Ms. Chan Wai Kay Katherine	7 July 2020	31 December 2020	4,000,000	-	4,000,000	-	-
Mr. Wang Manquan	7 July 2020	31 December 2020	10,000,000	-	-	10,000,000	-
Mr. Wang Zhiyu <sup>#</sup>	7 July 2020	31 December 2020	2,000,000	-	-	2,000,000	-
Mr. Zhang Yiying	7 July 2020	31 December 2020	2,000,000	-	2,000,000	-	-
Mr. Jia Wenzeng	7 July 2020	31 December 2020	2,000,000	-	2,000,000	-	-
Mr. Wu Desheng	7 July 2020	31 December 2020	2,000,000	-	2,000,000	-	-
Mr. Wu Qiang	7 July 2020	31 December 2020	2,000,000	-	2,000,000	-	-
Mr. Guo Qingui	7 July 2020	31 December 2020	2,000,000	-	2,000,000	-	-
Mr. Guan Chenghua	7 July 2020	31 December 2020	2,000,000	-	2,000,000	-	-
<b>Employees</b>	7 July 2020	31 December 2020	58,000,000	-	4,000,000	54,000,000	-
<b>Consultants</b>	7 July 2020	31 December 2020	30,000,000	-	30,000,000	-	-
	16 September 2020	31 December 2020	4,000,000	-	4,000,000	-	-

<sup>#</sup> Mr. Wang Zhiyu resigned as a non-executive Director of the Company with effect from 12 March 2021.

## **COMPETING INTERESTS**

None of the Directors (including any person who at any time during the Review Period was a Director), controlling Shareholder, nor their respective close associates (as defined under the GEM Listing Rules) had any interest in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group during the Review Period.

## **CHANGE OF COMPANY NAME**

Pursuant to a special resolution passed at the annual general meeting of the Company on 30 June 2022 and with the approval of the Registrar of Companies in the Cayman Islands on 8 July 2022 and the Registrar of Companies in Hong Kong on 4 August 2022, the name of the Company has been changed from “China Geothermal Industry Development Group Limited (中國地熱能產業發展集團有限公司)” to “CHYY Development Group Limited (中國恒有源發展集團有限公司)”. For details, please refer to the announcement of the Company dated 5 August 2022.

## **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. Mr. Zhang Yiyang, a non-executive Director, as well as Mr. Jia Wenzeng, an independent non-executive Director, did not attend the annual general meeting of the Company held on 30 June 2022 due to their engagement in other business. During the Review Period, to the best knowledge of the Board, the Company had complied with the applicable code provisions of the CG Code.



## UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors for the nine months ended 30 September 2022 is set out below: Changes of Directors and nominations of the Company

- 1) Ms. Hao Xia resigned as executive Director of the Company with effect from 18 February 2022.
- 2) Ms. Wang Yan resigned as executive Director of the Company with effect from 14 June 2022.
- 3) Mr. Guo Qingui retired as independent non-executive Director on 30 June 2022.
- 4) Mr. Xue Jianguyun was appointed as executive Director and the chief executive officer with effect from 14 March 2022 and retired as executive Director of the Company on 30 June 2022, but he remained as the chief executive officer of the Group.
- 5) Mr. Pan Ya was appointed as executive Director and the chief financial officer with effect from 14 March 2022 and resigned as executive Director of the Company on 30 June 2022, but he remained as the chief financial officer of the Group.
- 6) 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.
- 7) On 30 June 2022, Mr. Xu Shengheng, an executive Director, was nominated as deputy chairman of nomination committee and deputy chairman of group development strategic committee.
- 8) On 30 June 2022, Ms. Chan Wai Kay, Katherine, an executive Director, was nominated as deputy chairman of group development strategic committee.

- 9) On 30 June 2022, Mr. Dai Qi, an executive Director, was nominated as deputy chairman of remuneration committee and member of group development strategic committee.
- 10) On 30 June 2022, Mr. Yang Wei, a non-executive Director, was nominated as the deputy chairman of the Board, the deputy chairman of nomination committee and the deputy chairman of group development strategic committee.
- 11) On 30 June 2022, Mr. Zhang Yiyong, a non-executive Director, was nominated as member of group development strategic committee.
- 12) On 30 June 2022, Ms. Liu Ening, a non-executive Director, was nominated as member of group development strategic committee.
- 13) On 30 June 2022, Mr. Wu Desheng, an independent non-executive Director, was nominated as chairman of nomination committee, member of remuneration committee and member of group development strategic committee.
- 14) On 30 June 2022, Mr. Wu Qiang, an independent non-executive Director, was nominated as chairman of group development strategic committee.
- 15) On 30 June 2022, Mr. Jia Wenzeng, an independent non-executive Director, was nominated as member of group development strategic committee.
- 16) On 30 June 2022, Mr. Guan Chenghua, an independent non-executive Director, was nominated as chairman of remuneration committee and member of group development strategic committee.
- 17) On 25 May 2022, Mr. Yang Wei, a non-executive Director of the Company, was appointed as an executive director of SIIC Environment Holdings Ltd. (a company listed on the Mainboard of the Stock Exchange (Stock Code: 807) and on the Mainboard of SGX-ST in Singapore (Stock Code: BHK) respectively).



## Changes in Directors' emolument

- 1) The annual salary of Mr. Xu Shengheng, the Chairman of the Company, was decreased from HK\$2,900,000 to HK\$2,500,000 for the year 2022.
- 2) The annual salary of Ms. Wang Yan, an executive Director of the Company, was decreased from HK\$1,116,000 to HK\$716,000 for the year 2022. (Note 1)
- 3) The annual salary of Mr. Wang Manquan, an executive Director of the Company, was decreased from HK\$1,458,000 to HK\$1,058,000 for the year 2022. (Note 2)
- 4) The annual salary of Ms. Hao Xia, an executive Director of the Company, was decreased from HK\$1,080,000 to HK\$680,000 for the year 2022. (Note 3)
- 5) The annual salary of Mr. Dai Qi, an executive Director of the Company, was decreased from HK\$756,000 to HK\$356,00 for the year 2022. Save as disclosed above and elsewhere in this announcement, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules for the nine months ended 30 September 2022.

### *Note:*

1. Ms. Wang Yan resigned as Director on 14 June 2022.
2. Mr. Wang Manquan resigned as Director on 30 June 2022.
3. Ms. Hao Xia resigned Director on 18 February 2022.

## **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 and 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.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Review Period.

## **SIGNIFICANT INVESTMENT HELD**

On 13 November 2020, HYY Investment Management Co., Ltd. (恒有源投資管理有限公司) ("HYY Investment"), an indirect wholly owned subsidiary of the Company, entered into equity transfer agreement to sell the 4.99965% equity interests in Beijing Life Insurance Co. Ltd. ("Beijing Life") for a 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. HYY Investment has received the total consideration of RMB237,000,000 in July 2021 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 announcement. As at 30 September 2022, the Group still held the investment of 4.99965% of equity interests in Beijing Life, 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 September 2022 is 18.98% (2021: 18.51%).



## APPOINTMENT OF AUDITOR

The Board of directors (the “Director(s)”) of the Company is pleased to announce that, with the recommendation of the audit committee of the Company (the “Audit Committee”), the Board has resolved to propose the appointment of BDO Limited (“BDO”) as the new auditor of the Company to fill the vacancy following the resignation of auditor on 6 September, 2022 and to hold office until the conclusion of the next annual general meeting of the Company, subject to the approval by the shareholders of the Company (the “Shareholders”) and the completion of the audit engagement acceptance procedures currently carrying out by BDO. An ordinary resolution will be proposed at an extraordinary general meeting of the Company to be convened (the “EGM”) for the Shareholders to consider and approve the proposed appointment of BDO as the new auditor of the Company. For details, please refer to the announcement of the Company dated 10 November 2022.

## 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 announcement, 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.

## **DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS**

Same as disclosed, none of the Directors (including any person who at any time during the Period was a Director) or an entity connected with a Director is or was materially interested, whether directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party which was subsisting during or at the end of the Review Period which is significant in relation to the business of the Group, nor had any Director had direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group at the end of the Review Period or at any time during the Review Period.

On 30 March 2022, a subsidiary of the Company entered into a two-year lease agreement ending 30 March 2024 with Beijing Elite Investments Limited, as lessor, a company held as to 70% equity interests by Ms. Chan Wai Kay Katherine, deputy chairman and an executive Director of the Company.



## **AUDIT COMMITTEE**

The Company has established an audit committee of the Company with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision D.3 of the CG Code. During the nine months ended 30 September 2022, the audit committee currently comprises four independent non-executive Directors, namely, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Jia Wenzeng and Mr. Guan Chenghua. Mr. Jia Wenzeng is the chairman of the audit committee. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise. The unaudited condensed financial results for the Period have not been audited by the Company's independent auditors, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such results complied with the applicable accounting standards of the HKFRSs issued by the HKICPA and the applicable disclosure provisions of the GEM Listing Rules, and that adequate disclosures have been made.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information 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 the prescribed public float under the GEM Listing Rules.



## **CONTINUING CONNECTED TRANSACTIONS: THE SP FRAMEWORK AGREEMENT**

### **THE SP FRAMEWORK AGREEMENT**

The 2019 SP Framework Agreement expired on 31 December 2021 and the Company and CECEP wish to enter into an agreement to renew the principal terms of the 2019 SP Framework Agreement. On 18 January 2022, the Company entered into the SP Framework Agreement with CECEP pursuant to which, CECEP and its subsidiaries conditionally agreed to purchase, and the Company and its subsidiaries conditionally agreed to provide, the Products and the Services, subject to the terms and conditions provided therein for the period from 1 January 2022 to 31 December 2024. The proposed Supply Annual Caps shall not be more than the amounts prescribed pursuant to the SP Framework Agreement. For details, please refer to announcement of the Company dated 18 January 2022.

### **APPRECIATION**

On behalf of the Board, Chairman would like to take this opportunity to express his sincere gratitude to all our business partners, the Shareholders and customers for their support to the Company.

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

Hong Kong, 10 November 2022

\* *For identification purposes only*

*As at the date of this report, the Board of Directors of the Company comprises Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine and Mr. Dai Qi as executive Directors, Mr. Yang Wei, 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.*