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CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

中國環境資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1130)

CANCELLATION AND GRANT OF SHARE OPTIONS

References are made to the announcements of China Environmental Resources Group Limited (the “**Company**”) dated (i) 22 April 2016 in relation to the grant of a total of 70,714,085 share options (the “**Share Options**”), of which 56,571,268 and 14,142,817 Share Options were granted to the directors (the “**Directors**”) and a senior management of the Company respectively, to subscribe for a total of 70,714,085 ordinary shares of HK\$0.02 each in the share capital of the Company (the “**Pre-consolidated Share(s)**”) at an initial exercise price of HK\$0.2064 per Pre-consolidated Share (the “**2016 Batch**”); (ii) 5 June 2018 in relation to the grant of a total of 54,900,000 Share Options, of which 15,700,000, 18,800,000 and 20,400,000 Share Options were granted to the Directors, the employees of the Company (the “**Employees**”) and two consultants of the Company respectively, to subscribe for a total of 54,900,000 Pre-consolidated Shares at an initial exercise price of HK\$0.317 per Pre-consolidated Share (the “**2018 Batch**”), under the share option scheme adopted by the Company on 11 November 2015 (the “**Share Option Scheme**”); and (iii) 5 April 2024 regarding, among others, the adjustments to the then outstanding Share Options granted as a result of the share consolidation of the Company (the “**Share Consolidation**”) on the basis of the then every five (5) Pre-consolidated Shares being consolidated into one (1) consolidated share of HK\$0.1 each (the “**Share**”) effective on 9 April 2024.

At the annual general meeting of the Company held on 11 December 2020 (the “**2020 AGM**”), the ordinary resolution was passed by the shareholders of the Company (the “**Shareholders**”) approving the refreshment of the scheme mandate limit under the Share Option Scheme and the Company was allowed to grant a maximum of Share Options up to 203,653,811 Pre-consolidated Shares (the “**Scheme Mandate Limit**”), which is equivalent to approximately 10% of the aggregate number of the issued Shares as at the date of the 2020 AGM. Upon the Share Consolidation effective on 9 April 2024, the Scheme Mandate Limit has been adjusted from 203,653,811 Pre-consolidated Shares to 40,730,762 Shares.

Immediately prior to the Grant (as defined below), no Share Options had been granted under the Scheme Mandate Limit since the date of the 2020 AGM. Accordingly, the Scheme Mandate Limit had not been utilised and there is a total of 40,730,762 Shares available for issue under the Scheme Mandate Limit, representing approximately 8.3% of the total issued share capital of the Company as at the date of this announcement.

CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS

As at the date of this announcement, there are 15,894,252 Share Options (which were granted in the 2016 Batch and the 2018 Batch and adjusted as a result of the Share Consolidation) entitling the holders thereof to subscribe for an aggregate of 15,894,252 Shares (the “**Outstanding Share Options**”) remaining outstanding and unexercised, representing approximately 3.25% of the total issued share capital of the Company as at the date of this announcement.

The details of the Outstanding Share Options held by the eligible grantees (the “**Outstanding Grantees**”) are tabulated as follows:

Name/Category of the Outstanding Grantees	Batch of the Outstanding Share Options	Exercise Price (adjusted as a result of the Share Consolidated) (HK\$)	Number of the Outstanding Share Options (adjusted as a result of the Share Consolidation) subject to the cancellation	Approximate % of the total issued share capital of the Company as at the date of this announcement <i>(Note 1)</i>
Executive Directors				
Mr. Yeung Chi Hang (Chairman, Chief Executive Officer and the substantial shareholder of the Company (the “ Substantial Shareholder ”))	2016 Batch	HK\$1.032	2,828,563	0.58
	2018 Batch	HK\$1.585	<u>560,000</u>	<u>0.11</u>
		<i>Sub-total:</i>	<u>3,388,563</u>	<u>0.69</u>
Mr. Chung Siu Wah	2016 Batch	HK\$1.032	2,828,563	0.58
	2018 Batch	HK\$1.585	<u>560,000</u>	<u>0.11</u>
		<i>Sub-total:</i>	<u>3,388,563</u>	<u>0.69</u>
Mr. Chik To Pan	2016 Batch	HK\$1.032	2,828,563	0.58
	2018 Batch	HK\$1.585	<u>560,000</u>	<u>0.11</u>
		<i>Sub-total:</i>	<u>3,388,563</u>	<u>0.69</u>
Mr. Wong Po Keung	2016 Batch	HK\$1.032	2,828,563	0.58
	2018 Batch	HK\$1.585	<u>560,000</u>	<u>0.11</u>
		<i>Sub-total:</i>	<u>3,388,563</u>	<u>0.69</u>
Mr. Leung Kwong Choi	2018 Batch	HK\$1.585	<u>300,000</u>	<u>0.06</u>
Independent non-executive Director				
Mr. Heung Chee Hang, Eric	2018 Batch	HK\$1.585	200,000	0.04
Mr. Wong Kwai Sang <i>(Note 2)</i>	2018 Batch	HK\$1.585	<u>200,000</u>	<u>0.04</u>
	Sub-total (all Directors):		<u>14,254,252</u>	<u>2.92</u>
Employees				
Employees (3 in total)	2018 Batch	HK\$1.585	<u>1,640,000</u>	<u>0.34</u>
	Total:		<u>15,894,252</u>	<u>3.25</u>

Notes:

- (1) The percentage figures have been subject to rounding adjustments. Accordingly, the total of the percentage figures as presented may not be equal to the arithmetic sum of the individual items.
- (2) Mr. Wong Kwai Sang retired from his position as, and ceased to be, an independent non-executive Director at the conclusion of the annual general meeting of the Company on 3 December 2024.

The board of Directors (the “**Board**”) announces that, with the respective mutual agreements between the Company and each of the Outstanding Grantees, the Outstanding Share Options have been cancelled with effect from the date of this announcement in accordance with the terms of the Share Option Scheme. Immediately following the above cancellations, the Company has no outstanding Share Options.

GRANT OF SHARE OPTIONS

The Board announces that, on 14 February 2025 (the “**Date of Grant**”), the Company resolved to grant a total of 29,604,636 Share Options to 15 eligible persons of the Group (collectively, the “**Grantees**”) to subscribe for an aggregate of 29,604,636 Shares (representing approximately 6.06% of the total number of issued Shares as at the date of this announcement), subject to the acceptance of the Grantees, under the Share Option Scheme (the “**Grant**”).

The details of the Grant are tabulated as follows:

Date of Grant:	14 February 2025
Number of the Share Options granted:	29,604,636 Share Options
Exercise price of the Share Options:	HK\$0.3, being the higher of: (i) the closing price of HK\$0.3 per Share as stated in the Stock Exchange’s daily quotations sheet on the Date of Grant; (ii) the average closing price of HK\$0.2516 per Share as stated in the Stock Exchange’s daily quotations sheets for the five (5) business days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.1 per Share.
Market price of the Shares on the Date of Grant:	HK\$0.3 per Share
Consideration for the Grant:	HK\$1 to be paid by each of the Grantees upon acceptance of the Grant

Validity period of the Share Options granted: 10 years from the Date of Grant (the “**Option Period**”), i.e. from 14 February 2025 to 13 February 2035 (both days inclusive)

Vesting conditions: Vesting of the Share Options will be conditional on the Grantees remaining as an employee of the Group until and on the relevant vesting date.

Vesting and exercise period of the Share Options: The Share Options granted will be vested on the Grantees on the Date of Grant and are exercisable at any time during the Option Period subject to the vesting conditions and the lapse and/or clawback mechanism.

The rules of the Share Option Scheme provides that, unless the Board determines otherwise, there is no minimum period for which a Share Option must be held before it can be exercised.

The Board and the remuneration committee of the Board (the “**Remuneration Committee**”) consider that (i) it was the customary practice of the Company to grant the Share Options under the Share Option Scheme without any vesting period; and (ii) the grant of the Share Options serves as (a) a reward to the Grantees for their past contributions to the Group and in recognition of their roles and responsibilities towards the management and strategic development of the Company; and/or (b) an incentive for the Grantees to continuously contribute to the operation, development and long-term growth of the Group. As such, the grant of the Share Options to the Grantees which are not subject to vesting periods is appropriate.

Performance target: There is no performance target attached to the Share Options.

The purpose of the Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating and/or providing benefits to the eligible persons and to provide the eligible persons with all opportunity to acquire a personal stake in the Group and to build common objectives of the Group and the eligible persons for the betterment of business and profitability of the Group and the Shareholders as a whole.

The Remuneration Committee is of the view that performance targets are not necessary as the Grant has already taken into account of (i) the past and/or potential future contributions by the Grantees (including the Outstanding Grantees) to the Group; and (ii) the value of the Share Options, being subject to the future market price of the Shares, which, in turn, depends on the business performance of the Group, to which the Grantees would directly contribute.

Lapse and/or
clawback
mechanism:

The right to exercise the Share Options (to the extent not already exercised), whether vested or unvested, shall terminate immediately upon certain events specified in the terms of the Share Option Scheme, including but not limited to:

- (i) the Grantee (including the Director) ceasing to be an Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Group into disrepute) or any other grounds on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary of the Company; or
- (ii) the Grantee (including the Director) selling, transferring, charging, mortgaging, encumbering or otherwise disposing of or creating any interest whatsoever in favour of any third party over or in relation to any Share Option or entering into any agreement to do so; or
- (iii) the cancellation of the Share Options at the discretion of the Board and with the consent of the relevant Grantee.

Financial assistance:

The Group has not provided any financial assistance to any Grantee to facilitate the purchase of Shares under the Share Option Scheme.

Among the 29,604,636 Share Options granted, a total of 19,045,374 Share Options were granted to the Directors and the Substantial Shareholder and a total of 10,559,262 Share Options were granted to other 7 employees of the Group, details of which are set out as follows:

Name/Category of the Grantees	Position/Relationship with the Company	Number of Share Options granted under the Grant	Approximate % of the total issued share capital as at the date of this announcement (Note)
Mr. Yeung Chi Hang	Executive Director, Chairman, Chief Executive Officer and the Substantial Shareholder	488,280	0.0999
Mr. Chik To Pan	Executive Director	4,882,803	0.999
Mr. Chung Siu Wah	Executive Director	4,882,803	0.999
Mr. Wong Po Keung	Executive Director	4,882,803	0.999
Mr. Leung Kwong Choi	Executive Director	2,443,845	0.5
Mr. Heung Chee Hang, Eric	Independent non-executive Director	488,280	0.0999
Mr. Lee Chi Ho	Independent non-executive Director	488,280	0.0999
Ms. Lai Pik Chi Peggy	Independent non-executive Director	488,280	0.0999
	Sub-total:	19,045,374	3.90
Employees (7 in total)		<u>10,559,262</u>	<u>2.16</u>
	Total:	<u>29,604,636</u>	<u>6.06</u>

Note: The percentage figures have been subject to rounding adjustments. Accordingly, the total of the percentage figures as presented may not be equal to the arithmetic sum of the individual items.

The Company believes that the grant of the Share Options to the Directors and the Employees provides motivations for them to continue to create value for the Group without increasing its operating cost. The number of the Share Options granted to them is determined with reference to, among others, their past performance and contributions, the market conditions, the potential benefits and/or income they may bring to the Group with the work they are involved in.

In accordance with the Rule 17.04(1) of the Listing Rules, the grant of the Share Options to each of the above Directors and the Substantial Shareholder has been approved by the independent non-executive Directors. Each of Mr. Heung Chee Hang, Eric, Mr. Lee Chi Ho and Ms. Lai Pik Chi Peggy (who are the independent non-executive Directors) has abstained from voting on the respective resolutions approving the grant of Share Options in which he/she is the Grantee at the Board meeting.

The grant of the Share Options to each of the independent non-executive Directors and the Substantial Shareholder would not result in the Shares issued and to be issued in respect of all options granted to such independent non-executive Director and the Substantial Shareholder in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue for the purpose of Rule 17.04(3) of the Listing Rules.

None of the Grantees is (i) a Director, Substantial Shareholder, chief executive of the Company or an associate (as defined under the Listing Rules) of any of them, save as disclosed in the section headed “Grant of Share Options” in this announcement above; (ii) a senior manager of the Company; (iii) a participant with options (including the Share Options) granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; or (iv) a related entity participant or service provider (as defined under the Listing Rules). None of the grants of the Share Options will be subject to approval by the Shareholders.

NUMBER OF SHARES AVAILABLE FOR FUTURE GRANT

Subsequent to the Grant, the number of Shares available for future grant under the Scheme Mandate Limit is 11,126,126 Shares.

By order of the Board
China Environmental Resources Group Limited
Yeung Chi Hang
Chairman and Chief Executive Officer

Hong Kong, 14 February 2025

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Yeung Chi Hang, Mr. Leung Kwong Choi, Mr. Wong Po Keung, Mr. Chung Siu Wah, Mr. Chik To Pan and Mr. Liu Yafei; and three independent non-executive Directors, namely Mr. Heung Chee Hang, Eric, Mr. Lee Chi Ho and Ms. Lai Pik Chi Peggy.