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HUAZHANG TECHNOLOGY HOLDING LIMITED
華章科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1673)

APPOINTMENT AND RESIGNATION OF EXECUTIVE DIRECTOR
AND
CHANGE IN USE OF PROCEEDS
FROM THE LISTING BY WAY OF PLACING

APPOINTMENT OF EXECUTIVE DIRECTOR

The board (the “**Board**”) of directors (the “**Directors**”) of Huazhang Technology Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that Mr. Chen Hongwei (“**Mr. Chen**”) will be appointed as the executive Director with effect from 1 April 2022.

The biographical details of Mr. Chen are set out as follows:

Mr. Chen Hongwei (陳宏衛), aged 48, graduated from Enshizhou Minzhu Technical Institute* (恩施州民族技工學校) with a certificate in Mechanical Manufacturing and Automation in 1996. Mr. Chen has over 26 years of experience in corporate management and operations management during which he has gained industry knowledge and experience in the management of effective production automation in various businesses. Prior to joining the Group, Mr. Chen worked as a project manager in Guangdong Sanxing Machinery Equipment Company Limited* (廣東三星機械設備有限公司) from 1998 to 2002. From 2003 to 2017, Mr. Chen worked in ChihoTiande Group Limited (齊合天地集團有限公司) (currently known as Chiho Environmental Group Limited (齊合環保集團有限公司)) (a company listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 0976)) as a deputy manager of equipment and general department and deputy chief engineer. He worked as an assistant general manager, deputy chief engineer and director of equipment and general department at Zhejiang Hehe Environmental Resources Company Limited* (浙江和合環境資源有限公司) from March 2017 to February 2022. Mr. Chen has been working as a technical director of Hua Zhang Environmental Resources Investment Limited (華章環境資源投資有限公司), a subsidiary of the Company, since 2019. Since February 2022, Mr. Chen has been serving as deputy general manager of Zhejiang Huazhang Technology Limited* (浙江華章科技有限公司) and director of Guangdong Huazhang Logistics Warehouse Limited* (廣東華章物流倉儲有限公司), both of which are subsidiaries of the Company.

Mr. Chen has entered into a service contract with the Company pursuant to which Mr. Chen is appointed as an executive Director for a specific term of three years and will be subject to retirement and re-election at general meeting of the Company in accordance with the articles of association of the Company. Mr. Chen is entitled to a total remuneration of HK\$500,000 per annum for his appointment as an executive director of the Company. In addition, performance based bonus(es) (in addition to any discretionary bonus) may be payable to Mr. Chen from time to time as determined or to be determined by the Board in recognition of his contribution to the Company. The remuneration was determined by the Board based on the recommendation of the remuneration committee of the Company with reference to Mr. Chen's experience, duties, responsibilities and the prevailing market conditions as well as the remuneration package offered to the other executive Directors.

As at the date of this announcement, Mr. Chen is interested in 182,000 shares of the Company. Save as disclosed above, as at the date of this announcement, Mr. Chen (i) does not have, and is not deemed to have, any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong; (ii) had not previously held and is not holding any position with the Company and/or its subsidiaries; (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company; and (iv) has not held any directorship in other listed public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years nor has he held any other major appointment and qualifications.

Mr. Chen is not aware of any other matters relating to his appointment that need to be brought to the attention of the shareholders of the Company and any other information which is required to be disclosed pursuant to rule 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")

The Board would like to take this opportunity to welcome Mr. Chen for joining the Company.

RESIGNATION OF EXECUTIVE DIRECTOR

Mr. Gan Jun ("**Mr. Gan**") has resigned from his position as an executive Director with effect from 1 April 2022 due to his other personal commitments. Mr. Gan has confirmed that he has no disagreement with the Board and there is no other matter that needs to be brought to the attention of the Shareholders in relation to his resignation.

The Board would like to take this opportunity to thank Mr. Gan for his valuable contributions to the Company.

CHANGE IN USE OF PROCEEDS FROM THE LISTING BY WAY OF PLACING

References are made to (i) the prospectus of the Company dated 9 May 2013 (the “**Prospectus**”) in relation to the listing on the GEM of the Stock Exchange (the “**Listing**”), which sets out the intended use of the net proceeds from the Listing; (ii) the announcement of the Company dated 23 December 2014 in relation to the transfer of listing from the GEM to the Main Board of the Stock Exchange of Hong Kong Limited; and (iii) the interim report of the Company for the six months ended 31 December 2021 (the “**2022 Interim Report**”) in relation to the use of proceeds from the Listing. Capitalised terms used herein shall have the same meanings as those defined in the Prospectus and the 2022 Interim Report unless otherwise stated herein.

As disclosed in the 2022 Interim Report, the net proceeds from the Listing amount to approximately RMB48.1 million (originally denominated in the amount of approximately HK\$59.5 million in the Prospectus)(the “**Net Proceeds**”). Since the Listing Date and up to 31 December 2021, the Company has utilised approximately RMB26.3 million out of the Net Proceeds. The amount of Net Proceeds which remains unutilised (the “**Unutilised Net Proceeds**”) as at 31 December 2021 was approximately RMB21.8 million.

Having carefully considered the current business environment and development needs of the Group, the Board has resolved to change the proposed use of the Unutilised Net Proceeds in the amount of approximately RMB21.8 million, which was originally allocated for the purposes of (i) increasing production capacity; (ii) cost saving construction; and (iii) increasing market awareness and image of the Group, to the following purposes:

- (i) approximately RMB8 million for the repayment of bank loan and other borrowings;
- (ii) approximately RMB5 million for research and development expenses; and
- (iii) approximately RMB8.8 million for administrative and management expenses, of which approximately RMB3 million, approximately RMB1.5 million, approximately RMB3 million and approximately RMB1.3 million will be used for salary adjustment of key employees, hiring additional employees, settling legal and professional advisers’ expenses and other corporate purposes, respectively.

Set out below is the original allocation and revised allocation of the Net Proceeds:

	Original planned use of the Net Proceeds (RMB'000)	Amount utilised as disclosed in 2022 Interim Report (RMB'000)	Amount unutilised as disclosed in 2022 Interim Report (RMB'000)	Proposed reallocation of Unutilised Net Proceeds (RMB'000)	Expected date of full utilisation of Unutilised Net Proceeds (Note)
Increase production capacity	23,521	18,299	5,222	—	—
Cost saving construction	15,709	—	15,709	—	—
Continuous product development and innovation	5,208	5,208	—	—	—
Increase market awareness and image of the Group	3,385	2,516	869	—	—
Improve the current information management system	260	260	—	—	—
Repayment of bank loan and other borrowings	—	—	—	8,000	On or before 31 December 2022
Research and development expenses	—	—	—	5,000	On or before 31 December 2022
Administrative and management expenses					
— Salary adjustment for key employees	—	—	—	3,000	On or before 31 December 2023
— Hiring of additional employees	—	—	—	1,500	On or before 31 December 2022
— Legal and professional advisers' expenses	—	—	—	3,000	On or before 31 December 2022
— Other general corporate purposes	—	—	—	1,300	—
	<u>48,083</u>	<u>26,283</u>	<u>21,800</u>	<u>21,800</u>	

Note: The expected date of full utilisation of the Unutilised Net Proceeds was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.

Reasons for the change in use of proceeds from the Listing

The Group is principally engaged in the research and development, manufacture and sale of industrial products, project contracting services, environmental products and the provision of supporting services in the PRC.

Since Listing, the Group has been implementing the original allocation plan for the Net Proceeds to satisfy its business needs and improved the overall production capacity and efficiency of the Group by, amongst other things, investing in additional equipment and machinery and conducting plant renovations. Taking into account the aforementioned original allocation plan was devised for almost nine years ago and that majority of the Net Proceeds has been utilised accordingly, the Board believes that the Unutilised Net Proceeds should be re-allocated for other business purposes to enhance the efficiency of the Company's use of the Net Proceeds by providing the Group with higher flexibility in responding to the the ever-changing market development and conditions, and to better cope with the compliance requirement.

The Board (including the independent non-executive Directors) is of the view that the above changes in use of the Unutilised Net Proceeds are fair and reasonable and can better meet the current business and operational needs of the Group. The Board considers that the long-term business development direction of the Group is still in line with the disclosure in the Prospectus and the above changes in the use of the Unutilised Net Proceeds are in the interests of the Group and the Shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

The Board will continuously evaluate the Group's business objectives and may change or modify plans of usage of the Unutilised Net Proceeds where it is necessary to cope with the changing market conditions and strive for business growth of the Group.

The Board (including the independent non-executive Directors) confirms that, save as disclosed herein, there are no other changes to the use of Net Proceeds as at the date of this announcement.

* *For identification purpose only*

By order of the Board
Huazhang Technology Holding Limited
Fang Hui
Executive Director

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Fang Hui, Mr. Wang Ai Yan and Mr. Gan Jun, the non-executive Director is Mr. Shi Chenghu and the independent non-executive Directors are Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang.