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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)

CONTINUING CONNECTED TRANSACTIONS

RENEWED MASTER SALES AGREEMENT

References is made to the Company's announcement dated 6 December 2023 in relation to a master sales agreement dated 6 December 2023 made between HZ Environmental Resources as supplier and the Customer as purchaser in respect of the sale and purchase of metal scraps. The said master sales agreement dated 6 December 2023 had a term which commenced on 6 December 2023 and expired on 30 June 2024.

Considering that the business transactions between HZ Environmental Resources and the Customer will continue, on 6 August 2024, HZ Environmental Resources and the Customer entered into the Renewed Master Sales Agreement for a term commencing on 6 August 2024 and ending on 30 June 2025 (both dates inclusive). The terms of the Renewed Master Sales Agreement are substantially the same as those of the expired master sales agreement.

PRINCIPAL TERMS OF THE RENEWED MASTER SALES AGREEMENT

Date: 6 August 2024

Parties: (a) HZ Environmental Resources; and
(b) the Customer, a connected person of the Company

Term: Commencing on 6 August 2024 and ending on 30 June 2025

Products: During the term of the Renewed Master Sales Agreement, HZ Environmental Resources will sell to the Customer metal scraps, such as aluminium and copper as semi raw material, pursuant to the terms specified in the sales orders to be signed by HZ Environmental Resources and the Customer confirming the sale of specific products to the Customer. A separate sales order will be signed and confirmed by HZ Environmental Resources and the Customer for each order.

Terms of sale and pricing policy:

A sales order contains details about the sale, including the specifications, quality, quantity and price of the products as well as the delivery date, delivery address, payment method and any other information relevant to the terms and logistics of the sale. Such terms will be determined according to the following principles:

- (i) each order will be negotiated on an arm's length basis and on normal commercial terms in the Group's ordinary and usual course of business;
- (ii) the prices of the products to be sold to the Customer will be determined with reference to the prevailing market prices of same or comparable products and the prices charged to the Group's other independent purchasers for the sale of the same or comparable products; and
- (iii) where it is impracticable to refer to the prices offered by or to independent third parties for comparable products when determining the prices of the products to be sold to the Customer, the Group will consider the quality and quantity of the products, services required to be provided by the Group, cost structure, profit margin and market conditions.

Payment terms:

Payment is due in full upon the Customer's confirmation and signing of a sales order. The Group will have the right not to accept or process any order until it receives full payment thereunder.

The payment terms to be offered to the Customer will be the same as those generally applicable to the sale of metal scraps to the Group's other independent purchasers in the PRC. Such terms may include payment on delivery and by way of letter of credit. The payment terms for each order will be specified in the relevant sales order.

RENEWED ANNUAL CAP AND DETERMINATION

The annual cap for the financial year ending on 30 June 2025 under the Renewed Master Sales Agreement is HK\$18,000,000. In determining the annual cap of the continuing connected transactions contemplated under the Renewed Master Sales Agreement, the Board has considered the following principal factors:

- (a) the historical transaction amount between the Group and the Customer; and
- (b) the anticipated sale volume of metal scrap of the Group and the overall business of the Group in the coming year.

REASONS FOR AND BENEFITS OF THE RENEWED MASTER SALES AGREEMENT

The Group is principally engaged in, amongst others, the sale of environmental products and the provision of supporting services in the PRC.

The Customer is an established trader of metal scraps in the PRC. In order to continue to develop the Group's environmental services business, the business transactions between HZ Environmental Resources and the Customer will continue. In addition, the Renewed Master Sales Agreement will allow the Group to sell metal scraps to the Customer in the same way as the Group is able to sell to non-connected persons of the Company. Overall, the entering into of the Renewed Master Sales Agreement was a strategic move by the Group to develop its environmental services business and hence increase the revenue of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Customer is owned as to 51% by Ms. Fang Aiping and 49% by Mr. Fang Anlin. As Ms. Fang Aiping and Mr. Fang Anlin are respectively an aunt and an uncle of Mr. Fang Hui, an executive Director and a substantial shareholder of the Company, the Customer is a connected person of the Company under the Listing Rules and the transactions contemplated under the Renewed Master Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Renewed Master Sales Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Renewed Master Sales Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider and believe that (a) the Renewed Master Sales Agreement will allow the Group to secure additional business, and hence revenue, for the Group; (b) the Renewed Master Sales Agreement and the transactions contemplated thereunder were entered into in the ordinary and usual course of the business of the Group, and have been negotiated on an arm's length basis between the parties on normal commercial terms; and (c) the terms of the Renewed Master Sales Agreement (including the annual cap for the year ending 30 June 2025) are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Pursuant to Rule 14A.68(8) of the Listing Rules, Mr. Fang Hui has abstained from voting on the board resolutions in respect of the entering into of the Renewed Master Sales Agreement and the transactions contemplated thereunder (including the proposed annual cap) by reason of his relationship with Ms. Fang Aiping and Mr. Fang Anlin. The relevant resolutions were voted and approved by Directors who are not connected to the transactions contemplated under the Renewed Master Sales Agreement.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors
“Company”	Huazhang Technology Holding Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Customer”	台州恒晟天悦金屬有限公司 (in English, for identification purpose only, Taizhou Hengshengtianyue Metal Co., Ltd.), a company established in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HZ Environmental Resources”	Huazhang Environmental Resources Investment Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China (for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Renewed Master Sales Agreement”	the master sales agreement dated 6 August 2024 made between HZ Environmental Resources and the Customer in respect of the Group’s sale of metal scraps to the Customer during the term commencing on 6 August 2024 and ending on 30 June 2025
“Share(s)”	the ordinary share(s) with par value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board
Huazhang Technology Holding Limited
Fang Hui
Chairman

Hong Kong, 6 August 2024

As at the date of this announcement, the executive Directors are Mr. Fang Hui (Chairman), Mr. Chen Hongwei and Mr. Cai Haifeng and the independent non-executive Directors are Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang.