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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)

MAJOR TRANSACTION

PARTICIPATION IN BANKRUPTCY RESTRUCTURING PROCEEDINGS LEADING TO THE ACQUISITION OF THE DEBTOR COMPANY

RESTRUCTURING AGREEMENT

On 28 July 2025, the Administrator, Zhejiang Huazhang (a wholly-owned subsidiary of the Company) and the Debtor Company entered into the Restructuring Agreement. Pursuant to the Restructuring Agreement, Zhejiang Huazhang has agreed to invest a total sum of RMB95,693,842.33 into the Debtor Company which the Debtor Company will use to settle the outstanding debts due from the Debtor Company to its creditors that have been recognised, examined and verified by the Administrator as set out in the Restructuring Plan.

Upon satisfaction of all the Conditions Precedent, the Administrator will commence the procedure for the transfer of the entire equity interest in the Debtor Company (including all the assets it held) to Zhejiang Huazhang pursuant to the Restructuring Plan and will complete the transfer within 25 days after the full payment of the Investment Amount by Zhejiang Huazhang pursuant to the Restructuring Agreement. After the Equity Transfer Completion, the Debtor Company will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Restructuring Agreement is more than 25% but less than 100%, the entering into of the Restructuring Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company will hold the EGM for considering and, if thought fit, approving the Restructuring Agreement and the transactions contemplated thereunder. Pursuant to Rule 14.41 of the Listing Rules, a circular containing, amongst other things, (i) a letter from the Board containing details of the transactions contemplated under the Restructuring Agreement; (ii) the financial information on the Group, and (iii) a notice of the EGM, is expected to be despatched to the Shareholders on or before 28 August 2025 as additional time is required by the Company for preparation of certain information for inclusion in the circular.

Shareholders and potential investors should note that the debt restructuring of the Debtor Company and the related transactions under the Restructuring Agreement are subject to the Conditions Precedent set out in section headed "Restructuring Agreement — Conditions Precedent" in this announcement and may or may not materialise. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that, on 28 July 2025, the Administrator, Zhejiang Huazhang and the Debtor Company entered into the Restructuring Agreement.

The Debtor Company is currently undergoing a bankruptcy restructuring pursuant to the bankruptcy laws of the PRC and under the supervision of the Longyang Court. Zhejiang Huazhang, being one of the creditors of the Debtor Company, submitted an application to participate as the investor in the bankruptcy restructuring proceedings. After reviewing the HZ Restructuring Proposal submitted by Zhejiang Huazhang together with other applications, the Administrator selected Zhejiang Huazhang. On 28 July 2025, the Administrator, Zhejiang Huazhang as the selected restructuring investor and the Debtor Company entered into the Restructuring Agreement.

After the execution of the Restructuring Agreement, the Administrator will submit the Restructuring Plan to the Longyang Court for approval.

RESTRUCTURING AGREEMENT

Date : 28 July 2025

Parties :
(a) the Administrator

(b) Zhejiang Huazhang (as a restructuring investor)

(c) Debtor Company (as a debtor)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Administrator and the Debtor Company and its ultimate beneficial owners is an Independent Third Party.

Investment Amount

Zhejiang Huazhang has agreed to invest a total sum of RMB95,693,842.33 into the Debtor Company which the Debtor Company will use to settle the outstanding debts due from the Debtor Company to its creditors that have been recognised, examined and verified by the Administrator as set out in the Restructuring Plan.

The Investment Amount was determined by the Administrator and is subject to the final approval of the Longyang Court. To the best of the Directors' knowledge and information, the Investment Amount was determined with reference to (i) the amount of employee claims, (ii) the amount of outstanding tax due to the PRC tax authorities, (iii) the outstanding debts due to the creditors of the Debtor Company (both secured and unsecured); and (iv) the assets and liabilities of the Debtor Company as shown in the special audit report dated 5 September 2024. The Investment Amount will be funded by internal resources of the Group and/or bank borrowings.

Upon satisfaction of all the Conditions Precedent, Zhejiang Huazhang will settle the Investment Amount in the following manner:

(1) the application fee of RMB10,000,000 paid by Zhejiang Huazhang and the performance pledge deposit of RMB40,000,000 previously paid by Zhejiang Huazhang to the Administrator will be fully applied to partially satisfy the payment of the Investment Amount; and

(2) Zhejiang Huazhang will have an option to settle the remaining balance of the Investment Amount (i.e., RMB45,693,842.33) either (i) by paying the said balance to the Administrator within 30 days from the date on which all the Conditions Precedent have been satisfied; or (ii) by obtaining written confirmations from all such creditors with an aggregate outstanding discounted debts of not less than RMB45,693,842.33 confirming their agreement and undertaking to waive their debts or defer any demand for repayment of their debts. Upon the Administrator's receipt of the said written confirmations, Zhejiang Huazhang will be deemed to have fulfilled its obligations to pay the remaining balance of the Investment Amount.

Conditions Precedent

The debt restructuring of the Debtor Company and the related transactions under the Restructuring Agreement are subject to the satisfaction of the following conditions:

(a) the Company having obtained the approval of its shareholders on the Restructuring Agreement and the transactions contemplated thereunder pursuant to the Listing Rules and the approvals from the Stock Exchange or (if necessary) from the Hong Kong Securities and Futures Commission; and

(b) the Administrator having obtained the approval on the Restructuring Plan from the Longyang Court.

If Condition Precedent (a) above is not satisfied, the transactions contemplated thereunder the Restructuring Agreement will not proceed, the application fee of RMB10,000,000 will be forfeited by the Administrator and the performance pledge deposit of RMB40,000,000 will be refunded to Zhejiang Huazhang without interest. If Condition Precedent (b) above is not satisfied, the application fee and the performance pledge deposit in the total sum of RMB50,000,000 will be refunded to Zhejiang Huazhang without interest.

Transfer of equity interest in the Debtor Company

Upon satisfaction of all the Conditions Precedent, the Administrator will commence the procedure for the transfer of the entire equity interest in the Debtor Company (including all the assets it held) to Zhejiang Huazhang pursuant to the Restructuring Plan and will complete the transfer within 25 days after the full payment of the Investment Amount by Zhejiang Huazhang pursuant to the Restructuring Agreement. After the Equity Transfer Completion, the Debtor Company will become a wholly-owned subsidiary of the Company.

Application of the Investment Amount and payment schedule

The Investment Amount will be subject to the final approval of the Longyang Court and is intended to be applied in the following manner:

(1) Repay 100% of the employee claims within 15 days after the satisfaction of all the Conditions Precedent.

(2) Repay 100% of the principal of the tax claims within 30 days after the Equity Transfer Completion; the penalties and interest accrued thereon will be repaid in accordance with the tiered repayment schedule.

(3) Repay 50% of the principal and interest of the secured preferential debts by two instalments, in full and final settlement of those secured preferential debts:

    (a) 80% of the repayment amount will be paid within 15 days after the Equity Transfer Completion; and

    (b) remaining 20% will be paid after the mortgage/pledge of the relevant collateral is released or the seizure is discharged.

(4) Repay the principal of unsecured debts (excluding accrued interest) pursuant to the following tiered repayment schedule, in full and final settlement of those unsecured debts:

    (a) 100% repayment for claims of RMB100,000 or less;

    (b) 15% repayment for claims exceeding RMB100,000 up to RMB250,000; and

    (c) 5% repayment for claims exceeding RMB250,000.

The above discounted unsecured debts will be settled in the following manner:

(i) any repayment amount of RMB250,000 or less will be paid in full within 30 days after Equity Transfer Completion; and

(ii) any repayment amount exceeding RMB250,000 will be paid by two instalments:

— 50% will be paid within 45 days after the Equity Transfer Completion; and

— remaining 50% will be paid no later than 30 days before the completion of the Restructuring Plan.

(5) Settle all bankruptcy expenses actually incurred for the bankruptcy restructuring, including without limitation, the remuneration of the Administrator, within 30 days after satisfaction of all the Conditions Precedent.

INFORMATION ON THE DEBTOR COMPANY AND THE ADMINISTRATOR

The Debtor Company is a company established under the laws of the PRC in Baoshan City, Yunnan Province, the PRC on 22 October 2010 with a registered capital of RMB24,900,000 (fully paid-up). The scope of business of the Debtor Company includes manufacture of paper products; wholesale and retail of machinery and equipment, and recycled materials (excluding hazardous chemicals); self-operated and agency-based import and export of various goods and technologies (except those prohibited or restricted by national laws or administrative regulations). To the best of the Directors' information and knowledge, the Debtor Company has suspended its operation.

On 6 April 2023, three Independent Third Parties petitioned for the bankruptcy restructuring of the Debtor Company for the reason that the assets of the Debtor Company are encumbered rendering it unable to continue operation or repay its debts as they fall due and the shareholders' equity was insufficient to cover its debts, showcasing difficulties in continuous business operation. On the same date, the Longyang Court ruled to accept the petition. On 5 June 2023, the Longyang Court issued a notice which stated that the Administrator was selected and appointed as the administrator of the Debtor Company's bankruptcy restructuring proceedings.

The Administrator is a company established under the laws of the PRC in Yunnan Province, the PRC on 2 April 2003 and is principally engaged in the provision of consultancy and agency services for corporate bankruptcy liquidation and corporate debt restructuring. As stated in the Longyang Court's notice, the duties of the Administrator include taking over the debtor's assets, seals and books, documents and other materials; investigating and preparing a report on the state of the debtor's assets; making decisions on the debtor's internal management affairs; making decisions on the debtor's daily and other mandatory expenses; making decisions on the continuation or cessation of the debtor's business; managing and disposing of the debtor's assets; representing the debtor in legal proceedings; and performing any other duties as the court deems necessary.

Assets and liabilities of the Debtor Company

The Administrator had engaged a firm of practising accountants in the PRC to conduct a special audit on the assets, claims and debts of the Debtor Company as at 6 April 2023, being the date on which the Longyang Court accepted the bankruptcy restructuring petition. According to the special audit report dated 5 September 2024, as at 6 April 2023, the audited asset value of the Debtor Company was RMB202,623,162.00, and the audited liabilities of the Debtor Company was RMB621,928,455.97. The Administrator has informed Zhejiang Huazhang that no audited accounts have been prepared for the Debtor Company after the issue of the above special audit report.

Based on the asset valuation report issued by a valuation firm in the PRC for the purpose of the bankruptcy restructuring, as at 31 March 2024, the value of the Debtor Company's assets was determined to be RMB260,299,300 pursuant to the cost method of valuation. The assets of the Debtor Company included (i) fixed assets, including buildings and structures and machinery and equipment; and (ii) intangible assets, including land use rights. Among these, the land, all buildings thereon and the machinery and equipment are encumbered by security interests (including mortgages and pledges); and the core production equipment are subject to financial leasing. It is expected that the mortgages and pledges will be released after the settlement of the secured debts pursuant to the Restructuring Plan.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RESTRUCTURING AGREEMENT

The Group is principally engaged in the research and development, manufacture and sale of industrial products and environmental products, the provision of project contracting services and the provision of supporting services in the PRC. Zhejiang Huazhang, established in the PRC with limited liability, is the operating wholly-owned subsidiary of the Company and is principally engaged in the research and development, supply and sale of industrial automation systems and sludge treatment products and the provision after-sales services in the PRC.

The Board has considered the following reasons: (1) given the Group's position as a creditor of the Debtor Company, based on the assessment of the Debtor Company's asset position, participation in bankruptcy restructuring proceedings leading to the acquisition of the Debtor Company would serve better to protect the Group's interests as opposed to having the Debtor Company's bankruptcy restructuring proceedings being under the control of other entities; (2) although the Debtor Company is unable to continue to its operation due to the encumbered assets and is incapable of repaying its debts as they fall due, and its assets are insufficient to fully settle all outstanding debts, the Debtor Company possesses quality production technology; it is expect that the Debtor Company has a high production value and asset realisation rate upon resumption of its operations, and is therefore considered to have restructuring value; (3) the participation as a restructuring investor would allow the Company to leverage on its existing doubtful debt claims in exchange for the valuable assets of the Debtor Company, taking into account that virtually most of the external debts owed by the Debtor Company to other external parties will be eliminated; and (4) given that the

Group and the Debtor Company operate in the same industry, and the recovery of claims by the Group faces significant challenges over several years, the Company believes that by actively participating in the bankruptcy restructuring proceedings of the Debtor Company and converting its existing debt claims into equity interests, it can not only substantially improve the recovery rate of its outstanding debts but also seize an opportunity for strategic industry consolidation and expansion.

Based on the reasons above, the Board considers that the entering into of the Restructuring Agreement can optimise the Group's return on assets, strengthen its market competitiveness, create synergies and facilitate organic growth and to increase the chance of bad debts recovery.

The Company intends to resume the business operation of the Debtor Company as soon as practicable. The Company believes that it could provide further technical upgrades to reduce energy consumption, increase production capacity, and achieve the targets of reducing costs, increasing efficiency, and improving profit margins.

Having considered all the above, the Directors are of the view that the terms of the Restructuring Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Restructuring Agreement is more than 25% but less than 100%, the entering into of the Restructuring Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company will hold the EGM for considering and, if thought fit, approving the Restructuring Agreement and the transactions contemplated thereunder. Pursuant to Rule 14.41 of the Listing Rules, a circular containing, amongst other things, (i) a letter from the Board containing details of the transactions contemplated under the Restructuring Agreement; (ii) the financial information on the Group, and (iii) a notice of the EGM, is expected to be despatched to the Shareholders on or before 28 August 2025 as additional time is required by the Company for preparation of certain information for inclusion in the circular.

Shareholders and potential investors should note that the debt restructuring of the Debtor Company and the related transactions under the Restructuring Agreement are subject to the Conditions Precedent set out in section headed "Restructuring Agreement — Conditions Precedent" in this announcement and may or may not materialise. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

"Administrator"	Yunnan Hengjia Assets Liquidation Co., Ltd.* (雲南恆嘉資產清算有限公司), the company appointed by the Longyang Court in June 2023 to be the administrator of the bankruptcy restructuring of the Debtor Company
"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
"Conditions Precedent"	the conditions precedent of the Restructuring Agreement as set out in the section headed "Restructuring Agreement — Conditions Precedent" in this announcement
"Debtor Company"	Baoshan Xingshengtai Paper Co., Ltd.* (保山鑫盛泰紙業有限公司), a company established in the PRC with limited liability
"Debts"	the outstanding debts due from the Debtor Company to its creditors (including its employees and the PRC tax authorities) as set out in the Restructuring Plan
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Restructuring Agreement and the transactions contemplated thereunder
"Equity Transfer Completion"	completion of the transfer of the entire equity interest in the Debtor Company to Zhejiang Huazhang (including the registration of Zhejiang Huazhang as the holder of the entire equity interest in the Debtor 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 Restructuring Proposal"	the restructuring investment proposal submitted by Zhejiang Huazhang to the Administrator as an application to participate as an investor in the bankruptcy restructuring proceedings of the Debtor Company
"Independent Third Party(ies)"	party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and connected persons (as defined in the Listing Rules) of the Company
"Investment Amount"	the total investment amount of RMB95,693,842.33 payable by Zhejiang Huazhang under the Restructuring Agreement which will be subject to the final approval of the Longyang Court
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longyang Court"	the People's Court of Longyang District, Baoshan City (保山市隆陽區人民法院)
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
"Restructuring Agreement"	the restructuring investment agreement (重整投資協議) dated 28 July 2025 entered into between the Administrator, Zhejiang Huazhang and the Debtor Company in respect of Zhejiang Huazhang's participation in the bankruptcy restructuring proceedings of the Debtor Company
"Restructuring Plan"	the proposed restructuring plan (重整計劃草案) setting out the details on the application of the investment money to be injected by Zhejiang Huazhang for the restructuring of the Debts and the operational turnaround strategies; the plan was prepared by the Administrator based on the HZ Restructuring Proposal and will be submitted to the Longyang Court for approval after the execution of the Restructuring Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"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

"Zhejiang Huazhang"	Zhejiang Huazhang Technology Limited* (浙江華章科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"%"	per cent.

* *For identification purposes only*

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

Hong Kong, 28 July 2025

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.