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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)

SUPPLEMENTAL ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWED MASTER SALES AGREEMENT

Reference is made to the Company's announcement (the "**Announcement**") dated 6 August 2024 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. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Announcement.

ANNUAL CAP UNDER THE RENEWED MASTER SALES AGREEMENT

The Company wishes to provide additional information regarding the annual cap under the Renewed Master Sales Agreement. As disclosed in the Announcement, the annual cap under the Renewed Master Sales Agreement for the financial year ending on 30 June 2025 is HK\$18,000,000. The Renewed Master Sales Agreement was entered into on 6 August 2024 and accordingly the annual cap covers the period commencing on 6 August 2024 and ending on 30 June 2025, being the financial year end date of the Company.

The previous master sales agreement expired on 30 June 2024. During the period from 1 July 2024 and up to 5 August 2025, the Group did not conduct any transaction with the Customer.

Basis of determination of annual caps

When determining the annual cap for the period from 6 August 2024 to 30 June 2025, the Company had 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.

The Group entered into the first master sales agreement with the Customer in June 2021. The historical transaction amount considered by the Company and the corresponding annual caps for the transactions are as follows:

Period covered	Annual cap	Actual transaction amount during the period
8 June 2021 to 30 June 2021	RMB16,560,000 (approximately HK\$18,000,000)	RMB14,632,704
1 July 2021 to 30 June 2022	RMB16,560,000 (approximately HK\$18,000,000)	RMB6,485,972
1 July 2022 to 30 June 2023	RMB22,080,000 (approximately HK\$24,000,000)	RMB6,248,259
6 December 2023 to 30 June 2024	RMB18,400,000 (approximately HK\$20,000,000)	RMB0

In the recent years, in particular, in the last financial year, the actual transaction amount was substantially less than the corresponding annual cap because of the Company's strategy to control its cost of sales which, in turn, was affected by the fluctuations of scrap prices.

During the period from 6 December 2023 to 30 June 2024, after the previous master sales agreement was entered into, the Group and the Customer were unable to reach agreement on the terms of the sale and purchase orders due to the fluctuations of the then metal scrap prices. The Company believed that such fluctuations would render any potential transaction under the previous master sales agreement unprofitable and would also make it difficult for the Group to control its cost of sales.

Based on the recent market conditions, the Company believes that the market price of metal scrap would gradually become stable and the demand for metal scrap would increase. After considering the Group's possible development of its environmental services business, HZ Environmental Resources resumed negotiation with the Customer and entered into the Renewed Master Sales Agreement. Subject to the final agreement on the terms of the sale and purchase orders, it is estimated that HZ Environmental Resources would sell to the Customer not more than (i) 250 tonnes of aluminium at an average selling price of approximately RMB16,000 per tonne, and (ii) 200 tonnes of copper at an average selling price of approximately RMB62,000 per tonne during the term of the Renewed Master Sales Agreement. The estimated total sales of aluminium and copper would be approximately RMB16,400,000 (approximately HK\$17,826,000). Based on the above estimation, the Company's proposed annual cap for the period ending 30 June 2025 is HK\$18,000,000.

For the purpose of this announcement, the exchange rate for the conversion of RMB into HK\$ for indication only is: RMB0.92 = HK\$1.00.

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

Hong Kong, 21 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.