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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)

PROFIT WARNING

This announcement is made by Huazhang Technology Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Based on the information currently available to the Company, the board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders (the “**Shareholders**”) and potential investors of the Company that the Group is expected to record a consolidated loss ranging from approximately RMB75.0 million to approximately RMB85.0 million for the six months ended 31 December 2021, as compared to the consolidated profit of approximately RMB18.3 million for the six months ended 31 December 2020. The consolidated loss for the six months ended 31 December 2021 was mainly attributable to:

- (i) a decrease in gross profit for the six months ended 31 December 2021 as compared to the corresponding period in 2020 due to decrease in revenue in relation to delay of certain contracting service projects by customers and decrease in gross profit margin in relation to an estimated loss of a contracting service project;
- (ii) an increase in provision for the six months ended 31 December 2021 regarding a litigation in relation to a contractual dispute between Hubei Industrial Construction Group Installation Engineering Company Limited* (湖北省工業建築集團安裝工程有限公司) and Yunnan Yunhong Paper Company Limited* (雲南雲泓紙業有限公司) ;
- (iii) a substantial increase in administrative expenses and research and development expenses for the six months ended 31 December 2021 as compared to the corresponding period in 2020 due to increase in staff costs; and
- (iv) a substantial increase in the recognition of impairment losses on trade and other receivables for the six months ended 31 December 2021 as compared to the corresponding period in 2020.

The Company is still in the process of finalising the unaudited financial results of the Group for the six months ended 31 December 2021. The information contained in this announcement is only a preliminary assessment by the Board based on the unaudited consolidated management accounts for the six months ended 31 December 2021 as well as operational data currently available, which have not been audited or reviewed by the Company's auditor or the audit committee of the Board and therefore may subject to amendments and valuation adjustments. Shareholders and potential investors of the Company are advised to read carefully the interim results announcement of the Company for the six months ended 31 December 2021 which is expected to be published by the end of February 2022.

** For the identification purposes only.*

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 17 February 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.