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JIANGNAN GROUP LIMITED

江南集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1366)

PROFIT WARNING

This announcement is made by Jiangnan Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to rule 13.09(2) 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 under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company and potential investors that, based on the preliminary assessment of the Group’s unaudited consolidated management accounts for the six months ended 30 June 2020, the Group’s profit for the six months ended 30 June 2020 is expected to decrease by approximately 82%, as compared with that for the six months ended 30 June 2019 in the amount of approximately RMB118,219,000.

The expected decrease in profit for the six months ended 30 June 2020 is mainly attributable to (i) the decrease in turnover as compared with that for the six months ended 30 June 2019 of approximately RMB6,246,963,000 due to various preventive and emergency measures, such as a partial lockdown policy and extension of the Chinese New Year holidays for the sake of minimising the population movement to mitigate the threat of spreading the epidemic across the People’s Republic of China (the “**PRC**”), implemented by the Chinese government during the outbreak of COVID-19 in the PRC in early 2020; (ii) the increase in selling and distribution costs for the period under review as compared with those for the six months ended 30 June 2019 of approximately RMB145,234,000, which is mainly due to (a) the increase in the costs incurred in providing better technical supports and after-sales services to the customers; and (b) the increase in costs incurred in bidding projects; (iii) the

increase in administrative expenses for the period under review as compared with those for the six months ended 30 June 2019 of approximately RMB117,427,000, which is mainly due to the increase in staff costs and general expenses for enhancement of business and employee health management; and (iv) the turning of an exchange gain for the six months ended 30 June 2019 to an exchange loss for the period under review, all partially offset by (i) the substantial reduction in impairment loss under expected credit loss model, net of reversal, which amounted to approximately RMB104,508,000 for the six months ended 30 June 2019, mainly due to the amount and aging of trade and other receivables over one year remaining stable during the period under review; (ii) the tuning of share of losses from associates, which amounted to approximately RMB5,390,000 for the six months ended 30 June 2019, to share of profits from associates during the period under review; (iii) the reduction in finance costs for the period under review as compared with those for the six months ended 30 June 2019 of approximately RMB154,267,000, which is mainly due to the reduction in the interest rates used in the discounting of bank and commercial bills during the period under review; and (iv) the decrease of taxation as compared to that for the six months ended 30 June 2019 of approximately RMB31,769,000 as a result of substantial reduction of taxable profit for the period under review.

The information contained in this announcement is only based on the Board's preliminary assessment of the Group's unaudited consolidated management accounts for the six months ended 30 June 2020, which are subject to adjustments and finalisation and have not been reviewed or audited by the Company's auditors. The Group's interim results for the six months ended 30 June 2020 are expected to be announced before the end of August 2020 in accordance with the Listing Rules.

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

On behalf of the Board
Jiangnan Group Limited
Chu Hui
Chairman and Chief executive officer

Hong Kong, 14 August 2020

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Chu Hui, Ms. Xia Yafang and Mr. Jiang Yongwei; and three independent non-executive directors, namely Mr. He Zhisong, Mr. Yang Rongkai and Mr. Kan Man Yui, Kenneth.