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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 year ended 31 December 2020, the Group’s profit for the year ended 31 December 2020 is expected to decrease by approximately 55%, as compared with that for the year ended 31 December 2019 in the amount of approximately RMB383,223,000.

The expected decrease in the Group’s profit for the year ended 31 December 2020 is mainly attributable to (i) the decrease in turnover for the year under review as compared with that for the year ended 31 December 2019 of approximately RMB14,524,221,000 due to the reduced demand for the Group’s products during the year under review, as a result of the adverse economic impacts of the COVID-19 pandemic; (ii) the increase in selling and distribution costs for the year under review as compared with those for the year ended 31 December 2019 of approximately RMB429,575,000, which is mainly due to (a) the increase in the costs incurred in providing better technical support and after-sale services to the Group’s customers; and (b) the increase in the costs incurred in bidding projects for the Group; (iii) the increase in administrative expenses for the year under review as compared

with those for the year ended 31 December 2019 of approximately RMB265,540,000, which is mainly due to the increase in the staff costs and general expenses incurred by the Group for the enhancement of its business and employee health management; and (iv) the turning of an exchange gain for the year ended 31 December 2019 of approximately RMB9,302,000 to an exchange loss for the year under review, all partially offset by (1) the increase in other income for the year under review as compared with that for the year ended 31 December 2019 of approximately RMB95,245,000, primarily attributable to the combined effect of the recovery of a bad debt which has been written off last year and the decrease in the interest income earned on bank deposits, as a result of the decline in the average balance of the bank deposits placed by the Group during the year under review; (2) the reduction in share of losses from associates for the year under review, which amounted to approximately RMB10,608,000 for the year ended 31 December 2019; (3) the reduction in impairment losses under the expected credit loss model, net of reversal for the year under review, which amounted to approximately RMB101,996,000 for the year ended 31 December 2019, mainly due to the amounts and the aging of the Group's trade and other receivables over one year remaining stable during the year under review; (4) the reduction in finance costs for the year under review as compared with those for the year ended 31 December 2019 of approximately RMB292,766,000, mainly attributable to the Group requiring less financing to fund its working capital in the year under review due to the reduction in the demand for its products; and (5) the decrease in taxation for the year under review as compared with that for the year ended 31 December 2019 of approximately RMB76,652,000, as a result of the reduction in the Group's taxable profit for the year 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 year ended 31 December 2020, which as at the date of this announcement are yet to be audited by the Company's auditors and may therefore be subject to change. The Group's results for the year ended 31 December 2020 are expected to be announced before the end of March 2021 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, 11 March 2021

*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.*