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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)

POSITIVE PROFIT ALERT

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 (the “**Board**”) of directors (the “**Directors**”) 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 2021, the Group’s profit for the six months ended 30 June 2021 is expected to increase by approximately 625%, as compared with that for the six months ended 30 June 2020 in the amount of approximately RMB20,658,000.

The expected increase in the Group’s profit for the six months ended 30 June 2021 is mainly attributable to (i) the significant increase in the turnover of the Group for the period under review as compared with that for the six months ended 30 June 2020 of approximately RMB4,996,722,000 due to the increase in the selling prices of and the demand for the Group’s products during the period under review, as a result of the economic recovery from the COVID-19 pandemic and the increase in average copper price during the period under review; and (ii) the increase in other income for the period under review as compared to that for the six months ended 30 June 2020 of approximately RMB32,286,000, mainly due to the increase in the interest income from the structured deposits of the Group, partially offset by (1) the increase in costs of goods sold for the

period under review as compared with those for the six months ended 30 June 2020 of approximately RMB4,462,085,000, which is in line with the increase in turnover; (2) the increase in the selling and distribution costs for the period under review as compared with those for the six months ended 30 June 2020 of approximately RMB221,464,000, mainly due to the increase in the tender and inspection fee and transportation costs as a result of the increase in the Group's turnover for the period under review; (3) the increase in the administrative expenses for the period under review as compared with those for the six months ended 30 June 2020 of approximately RMB134,807,000, mainly due to the continuous increase in the staff costs and general expenses incurred by the Group for the enhancement of its business and employee health management; (4) the substantial increase in the impairment losses under the expected credit loss model, net of reversal for the period under review from those in the amount of approximately RMB3,368,000 for the six months ended 30 June 2020, mainly due to (a) the increase in the amount of trade and other receivables as at 30 June 2021 as a result of the significant increase in the Group's turnover for the period under review; and (b) the increase in default risk due to the uncertainty in the economy arising from the COVID-19 pandemic and the heat up of the Sino-U.S. disputes during the period under review; (5) the increase in finance costs for the period under review as compared with those for the six months ended 30 June 2020 of approximately RMB135,490,000, mainly due to the increase in the Group's bank borrowings for the period under review to finance the Group's working capital needs for purchasing copper at a significantly higher average copper price; and (6) the increase in taxation for the period under review as compared with that for the six months ended 30 June 2020 of approximately RMB8,503,000, as a result of the substantial increase in the Group's taxable profit for the period under review.

The information contained in this announcement is only based on the Board's preliminary assessment by the Board of the Group's unaudited consolidated management accounts for the six months ended 30 June 2021, 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 2021 are expected to be announced before the end of August 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 & Chief Executive Officer

12 August 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. Fok Ming Fuk.