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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 2021, the Group expects to record a net loss of not less than RMB530,000,000 for the year ended 31 December 2021, as compared with a net profit of approximately RMB169,495,000 for the year ended 31 December 2020.

The expected net loss of the Group for the year ended 31 December 2021 is mainly attributable to (i) the substantial increase in the impairment losses under the expected credit loss (“**ECL**”) model, net of reversal, as compared with those for the year ended 31 December 2020 of approximately RMB93,000,000, mainly due to (a) the significant one-off specific provision made for certain receivables due from customers in the property sector, including the provision made for the receivables due from the subsidiaries of the Evergrande Group amounting to approximately RMB878,443,000; and (b) the increase in the amount of trade and other receivables as at 31 December 2021 as a result of the significant increase in the Group’s turnover for the year under review; (ii) the increase in selling and distribution costs as compared with those for the year ended 31 December 2020 of approximately

RMB560,134,000, which is mainly due to the increase in the tender and inspection fees and transportation costs as a result of the increase in the Group's turnover for the year under review; and (iii) the increase in administrative expenses for the year under review as compared with those for the year ended 31 December 2020 of approximately RMB283,047,000, which is mainly due to the increase in the entertainment and travelling expenses incurred by the Group for business management and enhancement, all partially offset by (1) the significant increase in turnover for the year under review as compared with that for the year ended 31 December 2020 of approximately RMB13,335,190,000 due to the increase in the demand for and the selling price of the Group's products during the year under review, resulting in a substantial increase in the gross profit of the Group for the year under review as compared with that for the year ended 31 December 2020 of approximately RMB1,424,706,000; and (2) the turning of tax expenses of approximately RMB49,424,000 for the year ended 31 December 2020 to tax credit for the year under review which is mainly due to the recognition of deferred tax assets arising from the impairment loss under the ECL model.

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 2021, 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 2021 are expected to be announced before the end of March 2022 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, 8 March 2022

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.