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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 “**SFO**”).

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 year ended 31 December 2022, it is expected that the unaudited consolidated profit attributable to shareholders of the Company for the year ended 31 December 2022 would be not more than RMB140 million, as compared with a consolidated loss attributable to shareholders of the Company for the year ended 31 December 2021 of approximately RMB540.5 million.

The expected increase in the unaudited consolidated profit attributable to shareholders of the Company for the year ended 31 December 2022 was mainly attributable to the combined effect of the following factors:

- (i) the substantial decrease in the impairment losses under the expected credit loss model, net of reversal, as compared with those for the year ended 31 December 2021 of approximately RMB1,185.7 million, which was mainly due to (a) the reduction of a provision specifically made for certain receivables due from customers in the property sector as at 31 December 2022; and (b) the decrease in the provision for trade and other receivables as at 31 December 2022 given the decrease in the balance of trade and other receivables as at 31 December 2022, as compared to that as at 31 December 2021;

- (ii) the decrease in the selling and distribution costs for the year ended 31 December 2022, as compared with those for the year ended 31 December 2021 of approximately RMB711.3 million, which was mainly due to the decrease in the tender and inspection fees incurred in the year ended 31 December 2022;
- (iii) the increase in the research and development costs for the year ended 31 December 2022, as compared with those for the year ended 31 December 2021 of approximately RMB75.0 million due to additional resources being deployed for developing market leading and advanced products in the year ended 31 December 2022; and
- (iv) the turning of the tax credit of approximately RMB92.3 million for the year ended 31 December 2021 to tax expenses for the year ended 31 December 2022, which was in line with the turnaround in the pre-tax results of the Group from a loss for the year ended 31 December 2021 to a profit for the year ended 31 December 2022.

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 2022, 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 2022 (the "**2022 Annual Results**") are expected to be announced before the end of March 2023 in accordance with the Listing Rules.

Reference is made to (i) the joint announcement (the "**Rule 3.5 Announcement**") of the Company and Power Heritage Group Limited (the "**Offeror**") dated 21 February 2023 relating to, among others, the proposal (the "**Proposal**") for the privatisation of the Company by the Offeror by way of a scheme of arrangement under section 86 of the Companies Act (2023 Revision) of the Cayman Islands; and (ii) the joint announcement of the Company and the Offeror dated 13 March 2023 relating to the extension of time for despatch of the scheme document in respect of the Proposal.

With the publication of the Rule 3.5 Announcement, the offer period has commenced since 21 February 2023. Pursuant to Rule 10 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"), the positive profit alert included in this announcement (the "**Positive Profit Alert**") constitutes a profit forecast and should be reported on by the Company's financial adviser and its accountant or auditor. In view of the requirements of timely disclosures of inside information under Rule 13.09(2)(a) of the Listing Rules and pursuant to Part XIVA of the SFO, the Company is required to issue this announcement as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the reporting requirements set out in Rule 10.4 of the Takeovers Code.

The Positive Profit Alert will be reported on as soon as possible in compliance with the Takeovers Code and the relevant reports will be set out in the next document to be sent to the shareholders of the Company. However, if the 2022 Annual Results have been published by the time of release of the next document to be sent to the shareholders of the Company, the requirements to report on the Positive Profit Alert under Rule 10 of the Takeovers Code will no longer apply.

**The Company would like to draw the attention of the shareholders of the Company and potential investors that the Positive Profit Alert does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code. Shareholders of the Company and potential investors should therefore exercise caution in placing reliance on the Positive Profit Alert in assessing the merits and demerits of the Proposal. 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, 17 March 2023

*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.*

*All Directors jointly and severally accept full responsibility for the accuracy of information contained in the announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the announcement have been arrived at after due and careful consideration and there are no other facts not contained in the announcement, the omission of which would make any statement in the announcement misleading.*