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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)

ISSUE OF UNLISTED WARRANTS UNDER GENERAL MANDATE

After trading hours on 9 April 2014, the Company entered into the Subscription Agreements with the Subscribers, pursuant to which, the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Subscribed Warrants at an issue price of HK\$0.01 per Warrant.

The Warrants will entitle the holders thereof to subscribe in cash up to an aggregate amount of HK\$255,000,000 for the Warrant Shares and each Warrant will carry the right to subscribe for one Share at an initial Subscription Price of HK\$1.70 per Share, for a period of two years commencing from the date of issue of the Warrants. Based on the initial Subscription Price of HK\$1.70 per Warrant Share, a maximum of 150,000,000 Warrant Shares will be allotted and issued by the Company upon full exercise of the Subscription Rights. The maximum number of the Warrant Shares represent approximately 4.87% of the existing issued share capital of the Company and approximately 4.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares (assuming that there will not be any change in the issued share capital of the Company before the exercise of the Subscription Rights).

The Warrant Shares will be issued under the General Mandate.

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares to be allotted and issued upon the exercise of the Subscription Rights.

Completion of the Subscription is subject to the satisfaction of the condition precedent under the Subscription Agreements. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

After trading hours on 9 April 2014, the Company entered into the Subscription Agreements with the Subscribers, the principal terms of which are summarised below.

THE SUBSCRIPTION AGREEMENTS

Date

9 April 2014

Parties

Issuer : the Company

Subscribers : Six individuals who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are experienced in investing in listed securities in Hong Kong.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Subscribers is an Independent Third Party.

Principal terms of the Warrants

Number of Warrants : Warrants, to be issued by the Company at the Issue Price, conferring the rights to the Subscribers to subscribe up to HK\$255,000,000 in aggregate (as to HK\$85,000,000, HK\$76,500,000, HK\$68,000,000, HK\$17,000,000, HK\$5,100,000 and HK\$3,400,000 by the six Subscribers respectively) for the Warrant Shares.

Based on the initial Subscription Price of HK\$1.70 per Warrant Share and assuming that there will not be any change in the issued share capital of the Company before the exercise of the Subscription Rights in full (other than the issue of the Warrant Shares), upon the exercise of the Subscription Rights in full, 150,000,000 Warrant Shares will be issued, representing approximately 4.87% of the existing issued share capital of the Company and approximately 4.65% of the issued share capital as enlarged by the allotment and issue of the Warrant Shares. On such basis, the maximum nominal value of the Warrant Shares will be HK\$1,500,000.

Status : The Warrants will be constituted by way of deed poll to be executed by the Company (i.e. the Instrument). The Warrants will rank pari passu in all respects among themselves.

- Form : The Warrants will be issued upon completion in registered form. Definitive certificates will be issued to the Subscribers.
- Issue Price : HK\$0.01 per Warrant payable in cash
- Subscription Price : Each Warrant will carry the right to subscribe for one Share at an initial Subscription Price of HK\$1.70 per Warrant Share, subject to adjustment upon occurrence of the following events (“**Adjustment Events**”):
- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or sub-division, which in such case, the Subscription Price shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to the Shareholders in their capacity as such or the grant to the Shareholders the right to acquire for cash assets of the Group;
 - (iv) an offer or grant being made by the Company to the Shareholders by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 80% of the market price of the Shares;
 - (v) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share is less than 80% of the market price of the Shares, or the terms of any such issue being altered so that the said total effective consideration is less than 80% of the market price of the Shares;
 - (vi) an issue being made by the Company wholly for cash of Shares (other than pursuant to any employee share option scheme) at a price less than 80% of the market price of the Shares; and
 - (vii) a cancellation of any Shares repurchased by the Company in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

Save for the adjustments as set out above, the Subscription Price will not be subject to any other adjustments.

- Subscription period : The Subscription Rights may be exercised at any time from the date of issue of the Warrants until 4:00 p.m. (Hong Kong time) on the second anniversary of the issue date (or, if that is not a Business Day, the first Business Day immediately following such date) (both dates inclusive), subject to earlier termination as provided in the Instrument.
- Rights of the Warrant Shares : The Warrant Shares that fall to be issued upon the exercise of the Subscription Rights will rank pari passu in all respects with the Shares in issue on the relevant date of registration of the name of the relevant holder(s) of the Warrants on the register of members of the Company as holder of such Warrant Shares.
- Transferability : The Warrants are transferable, in whole amounts or multiples of units of Subscription Rights of HK\$1,700,000 or, subject to the agreement by the Company, in such other denomination, and any transfer of the Warrants to any connected person of the Company shall be subject to the requirements that the Stock Exchange may impose from time to time.
- Rights of Warrants : The holders of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holders of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Basis of pricing of the Warrants

The initial Subscription Price of HK\$1.70 per Warrant Share represents:

- (i) a premium of about 7.59% over the closing price of HK\$1.58 per Share as quoted on the Stock Exchange on 9 April 2014, being the date of the Subscription Agreements; and
- (ii) a premium of about 7.32% over the average closing price of HK\$1.584 per Share as quoted on the Stock Exchange for the last five trading days up to and including 8 April 2014.

The aggregate of (a) the Issue Price of HK\$0.01 per Warrant and the initial Subscription Price of HK\$1.70 per Warrant is HK\$1.71, which represents:

- (i) a premium of about 8.23% over the closing price of HK\$1.58 per Share as quoted on the Stock Exchange on 9 April 2014, being the date of the Subscription Agreements; and

- (ii) a premium of about 7.95% over the average closing price of HK\$1.584 per Share as quoted on the Stock Exchange for the last five trading days up to and including 8 April 2014.

The Subscription Price and the aggregate of it with the Issue Price were determined with reference to the prevailing market price of the Shares and were negotiated on an arm's length basis between the Company and the Subscribers and were fixed at a premium to the prevailing market price of the Shares. The Directors consider that each of the Subscription Price and the Issue Price is fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Condition of the Subscription

Completion of the Subscription is conditional upon the Stock Exchange granting the approval of the issue of the Warrants and the listing of, and permission to deal in, all the Shares falling to be issued on the exercise of the Subscription Rights either unconditionally or subject to conditions to which the Subscribers accept and the satisfaction of such conditions by no later than 5:00 p.m. on the Long Stop Date (or such later time or date as the Company and the Subscribers may agree).

The above condition cannot be waived by any party to the Subscription Agreements. If the above condition is not fulfilled by 5:00 p.m. on the Long Stop Date, the Subscription Agreements shall lapse and neither the Company nor the Subscribers shall have any claim against the other in respect of any matter or thing arising out of or in connection with the Subscription Agreements save for any antecedent breach of any obligation under the Subscription Agreements.

Completion of the Subscription

The Warrants will be created and issued to the Subscribers on the second Business Day immediately following the date on which the condition to the Subscription is fulfilled (or such later date as agreed by the Company and the Subscribers).

GENERAL MANDATE

The Warrant Shares will be issued under the General Mandate.

Upon completion of the Subscription and the full exercise of the Subscription Rights at the initial Subscription Price, an aggregate of 150,000,000 new Shares shall be allotted and issued under the General Mandate. The General Mandate entitles the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of annual general meeting of the Company approving the General Mandate. The maximum number of Shares allowed to be allotted and issued under the General Mandate is 615,440,000 Shares. As at the date of this announcement, the Company has not utilised the General Mandate. Accordingly, the creation and issue of the Warrants and the issue of the Warrant Shares upon exercise of the Subscription Rights will not be subject to additional Shareholders' approval.

APPLICATION FOR LISTING

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares to be allotted and issued upon the exercise of the Subscription Rights.

REASONS FOR THE ISSUE OF THE WARRANTS

The Group is principally engaged in the manufacture and sale of wires and cables for power transmission, distribution systems and electrical equipment.

The Directors consider that the issue of the Warrants is an appropriate means of raising further capital for the Company because the Warrants are not interest bearing and it will not have an immediate dilutive effect on the shareholding of the existing Shareholders upon the issue of the Warrants. In addition, apart from the net proceeds that will be raised immediately upon completion of the Subscription, the Company will be provided with additional funds upon the exercise of the Subscription Rights.

The gross proceeds and the net proceeds derived from the issue of the Warrants are estimated to be HK\$1,500,000 and approximately HK\$1,400,000 respectively, which are intended to be used by the Company as general working capital of the Group.

The Company will receive an additional amount of HK\$255,000,000 upon exercise in full of the Subscription Rights at the initial Subscription Price. The Company intends to use such proceeds for repayment of debts and general working capital to take advantage of future growth in the wire and power industry.

The net price of each Warrant Share to be issued upon the exercise of the Warrants, taking into account of the Issue Price after deducting the expenses and based on the full exercise of the Warrants, will be approximately HK\$1.709. The Directors consider that the terms of the Subscription Agreements are fair and reasonable based on the current market conditions and in the interests of the Company and its shareholders as a whole.

EFFECT OF SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the shareholding structure of the Company immediately after the exercise in full of the Subscription Rights (assuming 150,000,000 Warrants Shares have been allotted and issued at the initial Subscription Price and other than the issue of the Warrant Shares, the issued share capital of the Company has not been changed) are as follows:

	As at the date of this announcement		Immediately after completion of the Subscription and assuming the exercise in full of the Subscription Rights	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Power Heritage Group Limited (<i>Note 1</i>)	2,206,800,000	71.72	2,206,800,000	68.38
Subscribers (<i>Note 2</i>)	—	—	150,000,000	4.65
Public Shareholders	<u>870,400,000</u>	<u>28.28</u>	<u>870,400,000</u>	<u>26.97</u>
Total	<u><u>3,077,200,000</u></u>	<u><u>100%</u></u>	<u><u>3,227,200,000</u></u>	<u><u>100%</u></u>

Notes:

- (1) *Power Heritage Group Limited is a company owned as to 83% by Mr. Rui Fubin and as to 17% by Mr. Rui Yiping.*
- (2) *The six Subscribers subscribed for the Warrants conferring the rights to the holders thereof to subscribe up to HK\$255,000,000 in aggregate (as to HK\$85,000,000, HK\$76,500,000, HK\$68,000,000, HK\$17,000,000, HK\$5,100,000 and HK\$3,400,000 by the six Subscribers respectively) for the Warrant Shares.*

Save for the Warrants that may be created and issued upon completion of the Subscription, the Company has no other options, warrants or similar rights to subscribe for Shares in issue as at the date of this announcement. The maximum number of Warrant Shares that may fall to be allotted and issued upon exercise of the Subscription Rights represent approximately 4.87% of the existing issued share capital of the Company.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has not conducted any equity fund raising activity in the 12 months immediately preceding the date of this announcement.

Completion of the Subscription is subject to the satisfaction of the condition precedent under the Subscription Agreements. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expression shall, unless the context requires otherwise, have the following meanings:

“associate(s)”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted and remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“Company”	Jiangnan Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	the second Business Day immediately following the date on which the condition to the Subscription is fulfilled (or such later date as agreed by the Company and the Subscribers)
“connected person(s)”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company held on 30 April 2013 to allot, issue and deal with up to 615,440,000 unissued Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	parties independent of and not connected with the Company and its connected persons
“Instrument”	the deed poll constituting the Warrants to be executed by the Company upon completion of the Subscription
“Issue”	the subscription of the Subscribed Warrants by the Subscriber
“Issue Price”	HK\$0.01, being the issue price per Warrant payable in full by the Subscribers under the Issue subject to the terms and conditions of the Subscription Agreements

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2014 (or such other date as may be agreed between the Company and the Subscribers), being the last day by which the condition of the Subscription shall be fulfilled
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribed Warrants”	the Warrants entitling the holder(s) thereof to subscribe for up to an aggregate of HK\$255,000,000 for new Shares at the Subscription Price
“Subscribers”	six individuals who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, are Independent Third Parties
“Subscription”	the subscription of the Subscribed Warrants
“Subscription Agreement”	the six agreements dated 9 April 2014 and entered into between the Company and each of the Subscribers in relation to the subscription of the Warrants
“Subscription Price”	the initial subscription price of HK\$1.70 per Warrant Share (subject to adjustment) at which the Subscribers may subscribe for the Warrant Shares
“Subscription Rights”	the subscription rights that are attached to the Warrants
“Warrant(s)”	the unlisted warrants to be issued by the Company in registered form in units of subscription rights of HK\$1,700,000 each entitling the holders thereof to subscribe in cash up to an aggregate amount of HK\$255,000,000 for new Shares at the Subscription Price of HK\$1.70 per Share, subject to adjustment, at any time for a period of two years from the Completion Date subject to the terms and conditions set out in the Instrument
“Warrant Share(s)”	new Share(s) which may fall to be allotted and issued upon the exercise of the Subscription Rights

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

On behalf of the Board
Jiangnan Group Limited
Rui Fubin
Chairman and chief executive officer

The People’s Republic of China, 9 April 2014

As at the date of this announcement, the executive Directors are Mr. Rui Fubin, Mr. Chu Hui, Mr. Rui Yiping, Ms. Xia Yafang, Mr. Jiang Yongwei and Mr. Hao Minghui; and independent non-executive Directors are Mr. He Zhisong, Mr. Wu Changshun, Mr. Yang Rongkai and Mr. Poon Yick Pang Philip.