

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any shares or any securities of the Company.



JIANGNAN GROUP LIMITED

江南集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1366)

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Joint Placing Agents (in alphabetical order)



PLACING AND SUBSCRIPTION

After trading hours on 11 September 2014, (1) the Vendor, the Company and the Joint Placing Agents entered into the Placing Agreement pursuant to which the Vendor has appointed the Joint Placing Agents, and the Joint Placing Agents, as the joint placing agents of the Vendor, have agreed, to act as agents for the Vendor to procure Places on a best efforts basis for a maximum of 317,950,000 Placing Shares at the Placing Price of HK\$1.95 per Placing Share; and (2) the Vendor and the Company entered into the Subscription Agreement pursuant to which the Vendor conditionally agreed to subscribe for the Subscription Shares at the Subscription Price of HK\$1.95 per Subscription Share which is equivalent to the Placing Price.

The Placing Shares are expected to be placed to not less than six Placees (being professional, institutional and other investors who and whose ultimate beneficial owner(s) shall be third parties independent of the Company and its connected persons and shall be independent of, and not acting in concert (as defined under the Takeovers Code) with the Vendor or any of its directors, chief executive or substantial shareholders, or any of their respective associates). The maximum total number of the Placing Shares (or the maximum total number of the Subscription Shares) represent (i) approximately 10.33% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.36% of the issued share capital of the Company as enlarged by the Subscription, assuming there is no change in the issued share capital of the Company before the completion of the Subscription.

The Placing is unconditional.

The number of the Subscription Shares will be equal to the number of the Placing Shares. The Subscription is conditional upon (i) completion of the Placing; and (ii) the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares. Assuming that the maximum number of 317,950,000 Placing Shares are placed to the Placees in full and the equivalent number of Subscription Shares are subscribed for under the Subscription, the maximum gross proceeds from the Subscription will be approximately HK\$620 million and the maximum net proceeds from the Subscription will be approximately HK\$607 million. The Company intends to use the net proceeds from the Subscription for establishing production facilities and production lines, investment in cable related business as well as working capital of the Group.

ISSUE OF SUBSCRIPTION SHARES UNDER GENERAL MANDATE

The Subscription Shares will be issued under the General Mandate granted to the Directors by a resolution passed at the annual general meeting of the Company held on 23 May 2014. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate. Accordingly, the allotment and issue of the Subscription Shares are not subject to any additional Shareholders' approval.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued.

Completion of each of the Placing and the Subscription is subject to the terms of the Placing Agreement and the Subscription Agreement respectively. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that after trading hours on 11 September 2014, (1) the Vendor, the Company and the Joint Placing Agents entered into the Placing Agreement; and (2) the Vendor and the Company entered into the Subscription Agreement, the principal terms of each of which are summarised below.

THE PLACING AGREEMENT

Date

11 September 2014

Parties

- (1) the Vendor;
- (2) the Company; and
- (3) the Joint Placing Agents.

The Vendor, Power Heritage Group Limited, is the holding company of the Company holding 1,696,800,000 Shares as at the date of this announcement, representing approximately 55.14% of the existing issued share capital of the Company. The Vendor is owned as to 83% by Mr. Rui, an executive Director and the chairman of the Company and as to 17% by Rui Yiping, a son of Mr. Rui and a former director of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Joint Placing Agents and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Number of Placing Shares

The Joint Placing Agents have agreed to act as agents for the Vendor to procure Placees, on a best efforts basis, for a maximum of 317,950,000 Placing Shares at HK\$1.95 per Placing Share.

The maximum total number of the Placing Shares represents (i) approximately 10.33% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.36% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, assuming there is no change in the issued share capital of the Company before the completion of the Subscription. The maximum nominal value of the Placing Shares under the Placing is HK\$3,179,500.

Placing Price

The Placing Price of HK\$1.95 represents:

- (i) a discount of approximately 10.14% to the closing price of HK\$2.17 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 13.72% to the average closing price of approximately HK\$2.26 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the Last Trading Day.

The Placing Price (or the Subscription Price) was arrived at after arm's length negotiations between the Vendor, the Company and the Joint Placing Agents with reference to the recent market price of the Shares. The Directors (including the independent non-executive

Directors) consider that the terms of the Placing Agreement (including the Placing Price) are fair and reasonable under the current market conditions and are in the interests of the Company and the Shareholders as a whole.

The Placees

The Placing Shares are expected to be placed to not less than six Placees who will be professional, institutional and other investors selected and procured by or on behalf of the Joint Placing Agents who and whose ultimate beneficial owner(s) shall be third parties independent of the Company and its connected persons (as defined in the Listing Rules) and shall be independent of, and not acting in concert (as defined under the Takeovers Code) with the Vendor or any of its directors, chief executive or substantial shareholders, or any of their respective associates. No individual Placee is expected to become a substantial shareholder (as defined in the Listing Rules) of the Company immediately after completion of the Placing.

Ranking of the Placing Shares

The Placing Shares will be sold with clear beneficial title free from all encumbrances together with all rights attaching to them ranking *pari passu* in all respects with the other Shares in issue as of the date of the Placing Agreement.

Conditions of the Placing

The Placing is unconditional.

Termination the Placing

The obligation of the Joint Placing Agents to proceed to completion of the Placing shall terminate upon:

- (1) the Subscription Agreement (i) not having been entered into or (ii) having been terminated by the parties to the Subscription Agreement;
- (2) there having come to the attention of any of the Joint Placing Agents at any time prior to completion of the Placing (i) any breach of, or any event rendering untrue, incorrect or breached in any respect, any of the representations, warranties or undertakings referred to in the Placing Agreement when given or repeated or (ii) any breach of, or failure to perform, any of the other obligations of the Company or the Vendor which are required to be performed at or before completion of the Placing;
- (3) there having been any such adverse change or prospective adverse change in the business or in the financial, operational or trading position or prospects of the Group as a whole which in the sole opinion of any of the Joint Placing Agents, is likely to prejudice materially the success of the Placing;
- (4) there having come to the attention of any of the Joint Placing Agents at any time prior to completion of the Placing (i) any change or prospective change (whether or not permanent) in local or international financial, political, military, economic or market (including stock market) conditions or currency exchange rates or exchange controls

(including any outbreak or escalation of hostilities, terrorism, declaration by the United States, the United Kingdom, the PRC or Hong Kong of a national emergency or war or other calamity or crisis) or (ii) any event, or series of events, beyond the reasonable control of any of the Joint Placing Agents (including acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemics and pandemics) or (iii) any suspension of dealings in the Shares for any period whatsoever (even if such suspension is subsequently lifted prior to completion of the Placing), or any cancellation of the listing of the Shares, on the Stock Exchange or (iv) any adverse announcement, determination or ruling of any governmental or other regulatory body (including delay in approval of this announcement or any other relevant announcement by any relevant stock exchange), which would (in any case mentioned in (i), (ii), (iii) or (iv) above), in the sole opinion of the Joint Placing Agents, be likely to prejudice materially the success of the Placing;

- (5) there having occurred a general moratorium on commercial banking activities in the PRC, the United Kingdom, United States or Hong Kong by any PRC, United Kingdom, New York State, United States federal or Hong Kong authorities which would in the sole opinion of any of the Joint Placing Agents be likely to prejudice materially the success of the Placing; and
- (6) there having been imposed any moratorium, suspension or material restriction or limitation in trading in shares or securities generally on the Stock Exchange, any stock exchange in the PRC, the New York stock exchange, the Nasdaq Stock Market, Inc., or the London stock exchange due to exceptional financial circumstances or otherwise at any time prior to completion of the Placing.

If any of such events shall have occurred or (alternatively) the Joint Placing Agents have not elected to proceed to completion of the Placing in accordance with the Placing Agreement, the Placing Agreement and the obligations of each of the Joint Placing Agents under the Placing Agreement shall ipso facto cease and terminate at that time (or at such earlier time as the relevant event shall have occurred and each of the Joint Placing Agents shall have determined not to waive the right to terminate upon occurrence of such event and notified the same to the Vendor) and no party shall be under any liability to any other for commissions, costs, damages, charges, compensation or otherwise under the Placing Agreement, except (i) in relation to obligations, agreements and liabilities arising prior to such termination (including liabilities arising prior to such termination under the representations, warranties and undertakings referred to in the Placing Agreement), (ii) that the Vendor shall remain liable for the payment of all costs and expenses referred to in the Placing Agreement already incurred and (iii) that the provisions of the clauses on indemnity, termination, miscellaneous provisions, notices and governing law under the Placing Agreement shall remain in full force and effect.

Completion of the Placing

Completion of the Placing is expected to take place on 16 September 2014, or such later date as the Vendor and each of the Joint Placing Agents shall agree.

Non-disposal and no issue undertakings

Under the Placing Agreement:

- (1) the Vendor undertakes to each of the Joint Placing Agents that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and on or prior to the date being 90 days after the date of the Placing Agreement it will not and will procure that none of its nominees and companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the new Shares to be issued under the Subscription Agreement but excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above unless with the prior written consent of each of the Joint Placing Agents, such consent not to be unreasonably withheld; and
- (2) the Company undertakes to each of the Joint Placing Agents that (except for (i) the new Shares to be allotted and issued to the subscriber named in the Subscription Agreement and (ii) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with its Articles of Association or on the exercise of rights existing at the date of the Placing Agreement) from the date of the Placing Agreement and on and prior to the date being 90 days after the date of the Placing Agreement it will not (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transaction described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of each of the Joint Placing Agents, such consent not to be unreasonably withheld.

THE SUBSCRIPTION AGREEMENT

Date

11 September 2014

Parties

- (1) the Vendor; and
- (2) the Company.

Number of Subscription Shares

The number of the Subscription Shares is equal to the number of the Placing Shares, being a maximum of 317,950,000 new Shares with an aggregate maximum nominal value of HK\$3,179,500. The maximum number of the Subscription Shares represent (i) approximately 10.33% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.36% of the issued share capital of the Company as enlarged by the Subscription, assuming there is no change in the issued share capital of the Company before the completion of the Subscription.

Subscription Price

The Subscription Price is HK\$1.95 per Subscription Share, which is equivalent to the Placing Price. A comparison of the Subscription Price with the prevailing market prices of the Shares is set out in the paragraph headed “The Placing Agreement — Placing Price” above.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the other Shares in issue at the time of issue and allotment of the Subscription Shares including the rights to all dividends and other distributions declared, made or paid at any time on or after the date of allotment.

Conditions Precedent of the Subscription

The Subscription is conditional upon:

- (1) completion of the Placing having occurred pursuant to the terms of the Placing Agreement; and
- (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in all of the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive certificate(s) of title representing the Subscription Shares).

The Subscription Agreement has not provided for the right of the parties to waive any of the above conditions.

In the event that the conditions referred to above are not fulfilled on or before 24 September 2014, then the Subscription Agreement and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other.

Completion of the Subscription

Subject to the fulfilment of the above conditions, completion of the Subscription shall take place on the business day after the date upon which all the conditions of the Subscription above have been fulfilled (or such other date as the Vendor and the Company may agree in writing), and in any event not later than 14 days after the date of the Subscription Agreement.

ISSUE OF SUBSCRIPTION SHARES UNDER GENERAL MANDATE

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors by a resolution passed at the annual general meeting of the Company held on 23 May 2014. Under the General Mandate, the Directors are allowed to allot and issue up to 615,440,000 Shares. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate.

Accordingly, the allotment and issue of the Subscription Shares are not subject to any additional Shareholders' approval.

APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

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

The Directors have considered various ways of raising funds and consider that the Placing and the Subscription represent a good opportunity to raise capital for the Company while broadening the Shareholder base and strengthening the capital base of the Company. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of each of the Placing Agreement (including the Placing Price) and the Subscription Agreement (including the Subscription Price) are fair and reasonable under the current market conditions and are in the interests of the Company and the Shareholders as a whole.

Assuming that the maximum number of 317,950,000 Placing Shares is placed to the Places in full and the equivalent number of Subscription Shares is subscribed for under the Subscription, the maximum gross proceeds from the Subscription will be approximately HK\$620 million and the maximum net proceeds from the Subscription will be approximately HK\$607 million. On such basis, the net price to the Company of each Subscription Share is approximately HK\$1.91. The Company intends to use the net proceeds from the Subscription for establishing production facilities and production lines, investment in cable related business as well as working capital of the Group.

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

Apart from the fund raising activity mentioned below, the Company had not conducted any other fund raising activities in the past 12 months immediately preceding the date of this announcement.

Date of announcement	Fund raising activity	Intended use of net proceeds	Actual use of net proceeds as at the date of this announcement
9 April 2014 and 23 April 2014	Issue of Warrants under general mandate	<p>(1) The net proceeds derived from the issue of the Warrants are approximately HK\$1,400,000, which is intended to be used by the Company as general working capital of the Group; and</p> <p>(2) the Company will receive an additional amount of HK\$255,000,000 upon exercise in full of the subscription rights that are attached to the Warrants at the initial subscription price of HK\$1.70 per warrant share. 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.</p>	<p>(1) the entire net proceeds had been used as general working capital of the Group; and</p> <p>(2) the holders of the Warrants have not yet exercised the subscription rights that are attached to the Warrants.</p>

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Placing (assuming the Placing Shares are placed in full) but before the Subscription; and (iii) immediately after completion of the Subscription (assuming the Subscription Shares are subscribed in full) are set out below:

Shareholder	(1) As at date of this announcement		(2) Immediate after completion of the Placing (assuming the Placing Shares are placed in full) but before the Subscription		(3) Immediate after completion of the Subscription (assuming the Subscription Shares are subscribed in full)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
The Vendor (Note 1)	1,696,800,000	55.14	1,378,850,000	44.81	1,696,800,000	49.98
Chu Hui (Note 2)	<u>160,000,000</u>	<u>5.20</u>	<u>160,000,000</u>	<u>5.20</u>	<u>160,000,000</u>	<u>4.71</u>
Sub-total of the Vendor and parties acting in concert with it	1,856,800,000	60.34	1,538,850,000	50.01	1,856,800,000	54.69
Placees	—	—	317,950,000	10.33	317,950,000	9.36
Other public shareholders	<u>1,220,400,000</u>	<u>39.66</u>	<u>1,220,400,000</u>	<u>39.66</u>	<u>1,220,400,000</u>	<u>35.95</u>
Total	<u>3,077,200,000</u>	<u>100.00</u>	<u>3,077,200,000</u>	<u>100.00</u>	<u>3,395,150,000</u>	<u>100.00</u>

Notes:

1. The Vendor is owned as to 83% by Mr. Rui, an executive Director and the chairman of the Company and as to 17% by Rui Yiping, a son of Mr. Rui and a former director of the Company.
2. Mr. Chu Hui is an executive Director and the son-in-law of Mr. Rui.

Completion of each of the Placing and the Subscription is subject to the terms of the Placing Agreement and the Subscription Agreement respectively. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“acting in concert”	has the meaning as ascribed to it in the Takeovers Code
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	The board of Directors
“business day”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong
“Company”	Jiangnan Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by a resolution passed at the annual general meeting of the Company held on 23 May 2014 to allot, issue or otherwise deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at 23 May 2014, being the date of such annual general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Placing Agents”	CIMB Securities Limited and Macquarie Capital Securities Limited
“Last Trading Day”	11 September 2014, being the date of the Placing Agreement and the Subscription Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Rui”	Mr. Rui Fubin, an executive Director and the chairman of the Company
“Placee(s)”	the placee(s) to be procured by the Joint Placing Agents under the Placing
“Placing”	the placing, on a best effort basis, of a maximum of 317,950,000 existing Shares pursuant to the terms of the Placing Agreement
“Placing Agreement”	the Placing Agreement dated 11 September 2014 entered into between the Vendor, the Company and the Joint Placing Agents in relation to the Placing
“Placing Price”	HK\$1.95 per Placing Share
“Placing Shares”	a maximum of 317,950,000 existing Shares and each, a “Placing Share”
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Vendor for the Subscription Shares pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 11 September 2014 entered into between the Vendor and the Company in relation to the Subscription
“Subscription Price”	HK\$1.95 per Subscription Share
“Subscription Shares”	such number of new Shares to be subscribed by the Vendor pursuant to the Subscription Agreement, which number shall be equal to the number of Placing Shares actually placed under the Placing Agreement and each a “Subscription Share”
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong

“Vendor”	Power Heritage Group Limited, a company incorporated in the British Virgin Islands, owned as to approximately 83% by Mr. Rui, an executive Director and the chairman of the Company and as to 17% by Rui Yiping, a son of Mr. Rui and a former director of the Company, and the holding company of the Company
“Warrants”	the unlisted warrants 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 23 April 2014
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

On behalf of the Board
Jiangnan Group Limited
Rui Fubin
Chairman

Hong Kong, 11 September 2014

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