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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)

Financial Adviser to the Company



DISCLOSEABLE TRANSACTION: ACQUISITION OF 100% INTEREST IN THE TARGET COMPANIES

THE NEW SUN ACQUISITION

The Board is pleased to announce that after trading hours on 13 April 2015, the Purchaser (a wholly-owned subsidiary of the Company), Nexus as vendor and the NS Warrantors as warrantors entered into the New Sun SP Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and Nexus has conditionally agreed to sell, the New Sun Sale Shares (representing 100% of the issued share capital of New Sun) at the New Sun Consideration of RMB337,303,000 (equivalent to approximately HK\$420,954,000) which shall be settled by instalments (comprising New Sun Consideration Shares and cash).

The New Sun Consideration Shares represent (i) approximately 4.40% of the share capital of the Company as at the date of this announcement; (ii) approximately 4.21% of the share capital of the Company as enlarged by the allotment and issue of the New Sun Consideration Shares (assuming that there is no other change to the share capital of the Company); and (iii) approximately 4.04% of the share capital of the Company as enlarged by the allotment and issue of the New Sun Consideration Shares and the Kai Da Consideration Shares (assuming that there is no other change to the share capital of the Company except for the allotment and issuance of the Kai Da Consideration Shares).

The New Sun Consideration Shares will be issued under the General Mandate.

THE KAI DA ACQUISITION

The Board is pleased to announce that after trading hours on 13 April 2015, the Purchaser, KDG as vendor and the KD Warrantor as warrantor entered into the Kai Da SP Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and KDG has conditionally agreed to sell, the Kai

Da Sale Share (representing 100% of the issued share capital of Kai Da) at the Kai Da Consideration of RMB322,043,000 (equivalent to approximately HK\$401,910,000), which shall be settled by instalments (comprising Kai Da Consideration Shares and cash).

The Kai Da Consideration Shares represent (i) approximately 4.40% of the share capital of the Company as at the date of this announcement; (ii) approximately 4.21% of the share capital of the Company as enlarged by the allotment and issue of the Kai Da Consideration Shares (assuming that there is no other change to the share capital of the Company); and (iii) approximately 4.04% of the share capital of the Company as enlarged by the allotment and issue of the Kai Da Consideration Shares and the New Sun Consideration Shares (assuming that there is no other change to the share capital of the Company except for the allotment and issuance of the New Sun Consideration Shares).

The Kai Da Consideration Shares will be issued under the General Mandate.

IMPLICATIONS UNDER THE LISTING RULES

As certain of the relevant percentage ratios (as defined under the Listing Rules) in respect of the New Sun Acquisition are more than 5% but less than 25%, the New Sun Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements of Chapter 14 of the Listing Rules.

As certain of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Kai Da Acquisition are more than 5% but less than 25%, the Kai Da Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements of Chapter 14 of the Listing Rules.

The Board is pleased to announce that after trading hours on 13 April 2015:

- (i) the Purchaser, Nexus as vendor and the NS Warrantors as warrantors entered into the New Sun SP Agreement; and
- (ii) the Purchaser, KDG as vendor and the KD Warrantor as warrantor entered into the Kai Da SP Agreement.

The New Sun SP Agreement and the Kai Da SP Agreement are not inter-conditional.

THE NEW SUN SP AGREEMENT

Major terms of the New Sun SP Agreement are set out below.

Date:

13 April 2015

Parties:

- (1) the Purchaser, a company incorporated in BVI and a wholly-owned subsidiary of the Company as at the date of this announcement;
- (2) Nexus, a company incorporated in BVI, as the vendor; and
- (3) NS Warrantors, as warrantors, who are joined as parties to the New Sun SP Agreement to jointly and severally guarantee the performance by Nexus of its obligations under the New Sun SP Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Nexus and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The Purchaser has conditionally agreed to acquire, and Nexus has conditionally agreed to sell, the New Sun Sale Shares, which represent 100% of the issued share capital of New Sun. Upon New Sun Completion, the Group will own 100% equity interest in New Sun and each of New Sun, New Sun HK and New Sun China will become an indirect wholly-own subsidiary of the Company.

New Sun Consideration

The New Sun Consideration for the acquisition of the New Sun Sale Shares is RMB337,303,000 (equivalent to approximately HK\$420,954,000), which, subject to the New Sun Adjustments below, shall be settled by three instalments in the following manner:

- (1) the first instalment of New Sun Consideration is RMB264,324,000 (equivalent to approximately HK\$329,876,000), among which, (i) as to RMB20,000,000 (equivalent to approximately HK\$24,960,000) shall be settled by the Purchaser in cash; and (ii) the balance shall be settled by way of allotment and issue of 148,740,000 new Shares as New Sun Consideration Shares, credited as fully paid, at an issue price of approximately HK\$2.050 per New Sun Consideration Share to Nexus (or its nominee) upon the New Sun Completion;
- (2) the maximum amount of the second instalment of New Sun Consideration is RMB38,000,000 (equivalent to approximately HK\$47,424,000), which shall be settled by the Purchaser in cash on the New Sun Second Instalment Payment Date; and
- (3) the maximum amount of the third instalment of New Sun Consideration is RMB34,979,000 (equivalent to approximately HK\$43,654,000), which shall be settled by the Purchaser by cash within the New Sun Third Instalment Payment Period.

The cash portion of the New Sun Consideration will be funded by the Group's internal resources.

The New Sun Consideration Shares represent (i) approximately 4.40% of the share capital of the Company as at the date of this announcement; (ii) approximately 4.21% of the share capital of the Company as enlarged by the allotment and issue of the New Sun Consideration Shares (assuming that there is no other change to the share capital of the Company); and (iii) approximately 4.04% of the share capital of the Company as enlarged by the allotment and issue of the New Sun Consideration Shares and the Kai Da Consideration Shares (assuming that there is no other change to the share capital of the Company except for the allotment and issuance of the Kai Da Consideration Shares).

The issue price of the New Sun Consideration Shares of approximately HK\$2.050 represents:

- (i) a discount of approximately 12.77% to the closing price of HK\$2.350 per Share as quoted on the Stock Exchange on the date of the New Sun SP Agreement; and
- (ii) a premium of approximately 12.02% over the average closing price of HK\$1.830 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately before the date of the New Sun SP Agreement.

The New Sun Consideration Shares will be issued under the General Mandate. Following the completion of the top-up subscription on 19 September 2014, the Board is still authorised to allot and issue 297,490,000 Shares under the unutilised General Mandate.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Sun Consideration Shares. The New Sun Consideration Shares to be allotted and issued shall rank pari passu among themselves and with all Shares in issue on the New Sun Completion Date.

Basis of and adjustments to New Sun Consideration

The New Sun Consideration was determined after arm's length negotiations between Nexus and the Purchaser on normal commercial terms with reference to net profit of the New Sun China for the year ending 31 December 2014 of approximately RMB44,974,000.

The New Sun Consideration shall be subject to following adjustments (“**New Sun Adjustments**”).

(1) The adjustment to the second instalment of the New Sun Consideration

In the event that Nexus fails to or fails to procure to release all the relevant external guarantees provided by New Sun China (which amount to RMB207,000,000) or collect all the relevant account receivables of New Sun China (which amount to approximately RMB6,323,792) on or before the New Sun Relevant Date, the aggregate amount of such unreleased external guarantees and the uncollected account receivables shall be deducted from the total amount of the second instalment of the New Sun Consideration, the balance of which shall be the adjusted amount of the second instalment of the New Sun Consideration.

If the adjusted amount of the second instalment of the New Sun Consideration:

(i) is a positive figure, the Purchaser shall pay to Nexus such amount on the New Sun Second Instalment Payment Date;

(ii) is zero (0), the Purchaser shall not be obliged to pay any amount to Nexus under the second instalment of the New Sun Consideration;

(iii) is a negative figure, the Purchaser shall not be required to pay to Nexus any amount under the second instalment of the New Sun Consideration and Nexus shall pay to the Purchaser such amount equal to such negative figure on the New Sun Second Instalment Payment Date.

(2) The adjustment to the third instalment of the New Sun Consideration

For the purpose of this adjustment, the “**Audited NOP**” is the New Sun China's audited net operating profit after tax, as recorded in the audited consolidated financial statements of New Sun China for the year ending 31 December 2015 prepared in accordance with the applicable PRC accounting principles.

If the Audited NOP is equal to or more than RMB51,719,700 (equivalent to approximately HK\$64,546,000), the Purchaser shall pay the full amount of the third instalment of the New Sun Consideration (i.e. RMB34,979,000 (equivalent to approximately HK\$43,654,000)) to Nexus within the New Sun Third Instalment Payment Period.

If the Audited NOP is less than RMB51,719,700 (equivalent to approximately HK\$64,546,000) (where the Audited NOP is a negative figure, such Audited NOP shall remain as a negative figure), the amount of the third instalment of the New Sun Consideration shall be determined in accordance with the following formula:

$$A = E - ((B - C) \times D)$$

where:

- A: the adjusted amount of the third instalment of the New Sun Consideration;
- B: RMB51,719,700 (equivalent to approximately HK\$64,546,000);
- C: Audited NOP;
- D: 7.5, being the P/E ratio agreed by Nexus and the Purchaser; and
- E: RMB34,979,000 (equivalent to approximately HK\$43,654,000), being original amount of the third instalment of the New Sun Consideration.

Provided that if the adjusted amount of the third instalment of the New Sun Consideration:

- (i) is a positive figure, the Purchaser shall pay to Nexus such amount within the New Sun Third Instalment Payment Period;
- (ii) is zero (0), the Purchaser shall not be obliged to pay any amount to Nexus under the third instalment of the New Sun Consideration;
- (iii) is a negative figure, the Purchaser shall not be required to pay to Nexus any amount under the third instalment of the New Sun Consideration and Nexus shall pay to the Purchaser such amount equal to such negative figure within the New Sun Third Instalment Payment Period.

Conditions precedent

New Sun Completion is subject to the fulfilment or (if applicable) waiver of the following Conditions:

- (1) the Stock Exchange having granted the listing of and the permission to deal in, the New Sun Consideration Shares;
- (2) all necessary consents, approvals, waivers and authorisations in relation to the transactions contemplated under the New Sun SP Agreement having been obtained by Nexus;
- (3) the Purchaser being reasonably satisfied with the results of the due diligence exercise (including but not limited to legal, accounting, financial, business, operational or other aspects that the Purchaser may consider necessary) on each of New Sun Group's business assets, liability, activities, operations, prospects and other status which the Purchaser, its agents or professional advisers think reasonably necessary and appropriate to conduct;
- (4) the Purchaser having been provided with the PRC legal opinion issued by the qualified PRC lawyers confirming that the formation, continuance and daily operation of New Sun China are in compliance with all the relevant laws, regulations, rules and other relevant regulations in PRC to the satisfaction of the Purchaser; and
- (5) the warranties given by Nexus, the NS Warrantors in the New Sun SP Agreement remain true, accurate and not misleading.

The Purchaser may waive the Conditions (3), (4) and (5) at any time before the Long Stop Date by notice in writing to Nexus. None of the other Conditions Precedent are capable of being waived by any party.

If any of the Conditions shall not have been fulfilled or (if applicable) waived at or before 4:00 p.m. on the Long Stop Date, all rights and obligations of the parties hereto under the SP Agreement shall cease and terminate, save and except certain provisions relating to confidentiality, notice, costs and expenses, governing laws and certain miscellaneous matters which provisions shall remain in full force and effect, and no party hereto shall have any claim against the other save for claim (if any) in respect of any antecedent breach thereof.

New Sun Completion

Subject to the fulfilment or waiver (as the case may be) of all the conditions set out above, New Sun Completion shall take place on the New Sun Completion Date (i.e. the fifth Business Day after all the conditions shall have fulfilled or waived or such other date as the Purchaser and Nexus may agree in writing).

Immediately after the New Sun Completion, the Group will own 100% equity interest in New Sun through the Purchaser and New Sun will become an indirect wholly-own subsidiary of the Company.

New Sun Consideration Shares Charge

Upon the New Sun Completion, Nexus shall execute a share charge to charge all the New Sun Consideration Shares to the Purchaser as collateral security for securing Nexus' performance of its payment obligation in case where the adjusted second or third instalment of the New Sun Consideration is negative figure.

INFORMATION ABOUT THE NEW SUN GROUP

New Sun is a company incorporated in Cayman Islands with limited liability and is the holding company of the New Sun Group which is principally engaged in manufacture of and trading in wires and cables and related raw materials. New Sun's special products including flexible fireproof cables, 10kV cross-linked polyethylene insulation materials and copper belt for cable shielding.

As at the date of this announcement, New Sun and New Sun HK are the investment holding companies. New Sun only owns 100% of the issued share capital of New Sun HK, who only owns 100% of the issued share capital of New Sun China. New Sun and New Sun HK have not carried on any business activities nor prepared any financial statements since their respective incorporation.

As at 31 December 2014, the total assets and net assets value of New Sun China is RMB749,134,366.55 (equivalent to approximately HK\$934,920,000) and RMB281,412,902.38 (equivalent to approximately HK\$351,203,000) respectively

Set out below is certain audited financial information of New Sun China for the year ended 31 December 2013 and 31 December 2014 respectively:

	For the year ended 31 December 2013 RMB'000	For the year ended 31 December 2014 RMB'000
Net profits (before taxation)	43,745	60,267
Net profits (after taxation)	32,724	44,974

THE KAI DA SP AGREEMENT

Major terms of the Kai Da SP Agreement are set out below.

Date:

13 April 2015

Parties:

- (1) the Purchaser;
- (2) KDG, a company incorporated in BVI, as vendor; and
- (3) KD Warrantor, as warrantor, who is joined as party to the Kai Da SP Agreement to guarantee the performance by KDG of its obligations under the Kai Da SP Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, KDG and its ultimate beneficial owner are Independent Third Parties.

Assets to be acquired

The Purchaser has conditionally agreed to acquire, and KDG has conditionally agreed to sell, the Kai Da Sale Share, which represent 100% of the issued share capital of Kai Da. Upon Kai Da Completion, the Group will own 100% equity interest in Kai Da and each of Kai Da, Kai Da HK and Kai Da China will become an indirect wholly-own subsidiary of the Company.

Kai Da Consideration

The Kai Da Consideration for the acquisition of the Kai Da Sale Share is RMB322,043,000 (equivalent to approximately HK\$401,910,000), which, subject to the Kai Da Adjustments below, shall be settled by three instalments in the following manner:

- (1) the first instalment of the Kai Da Consideration is RMB264,324,000 (equivalent to approximately HK\$329,876,000), among which, (i) as to RMB20,000,000 (equivalent to approximately HK\$24,960,000) shall be settled by the Purchaser in cash; and (ii) the balance shall be settled by way of allotment and issue of 148,740,000 new Shares as Kai Da Consideration Shares, credited as fully paid, at an issue price of approximately HK\$2.050 per Kai Da Consideration Share to KDG (or its nominee) upon the Kai Da Completion;
- (2) the maximum amount of the second instalment of the Kai Da Consideration is RMB28,000,000 (equivalent to approximately HK\$34,944,000), which shall be settled by the Purchaser in cash on the Kai Da Second Instalment Payment Date; and
- (3) the maximum amount of the third instalment of the Kai Da Consideration is RMB29,719,000 (equivalent to approximately HK\$37,089,000), which shall be settled by the Purchaser in cash within the Kai Da Third Instalment Payment Period.

The cash portion of the Kai Da Consideration will be funded by the Group's internal resources.

The Kai Da Consideration Shares represent (i) approximately 4.40% of the share capital of the Company as at the date of this announcement; (ii) approximately 4.21% of the share capital of the Company as enlarged by the allotment and issue of the Kai Da Consideration Shares (assuming that there is no other change to the share capital of the Company); and (iii) approximately 4.04% of the share capital of the Company as enlarged by the allotment and issue of the Kai Da Consideration

Shares and the New Sun Consideration Shares (assuming that there is no other change to the share capital of the Company except for the allotment and issuance of the New Sun Consideration Shares).

The issue price of the Kai Da Consideration Shares of approximately HK\$2.050 represents:

- (i) a discount of approximately 12.77% to the closing price of HK\$2.350 per Share as quoted on the Stock Exchange on the date of the Kai Da SP Agreement; and
- (ii) a premium of approximately 12.02% over the average closing price of HK\$1.830 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately before the date of the Kai Da SP Agreement.

The Kai Da Consideration Shares will be issued under the General Mandate. Following the completion of the top-up subscription on 19 September 2014, the Board is still authorised to allot and issue 297,490,000 Shares under the unutilised General Mandate.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Kai Da Consideration Shares. The Kai Da Consideration Shares to be allotted and issued shall rank *pari passu* among themselves and with all Shares in issue on the Kai Da Completion Date.

Basis of and adjustments to Kai Da Consideration

The Kai Da Consideration was determined after arm's length negotiations between KDG and the Purchaser on normal commercial terms with reference to net profit of the Kai Da China for the year ending 31 December 2014 of RMB42,939,000.

The Kai Da Consideration shall be subject to following adjustments ("**Kai Da Adjustments**").

- (1) The adjustment to the second instalment of the Kai Da Consideration

In the event that KDG fails to or fails to procure to release all the relevant external guarantees provided by Kai Da China (which amount to RMB76,500,000) or collect all the relevant account receivables of Kai Da China (which amount to approximately RMB30,415,271) on or before the Kai Da Relevant Date, the aggregate amount of such unreleased external guarantees and the uncollected account receivables shall be deducted from the total amount of the second instalment of the Kai Da Consideration, the balance of which shall be the adjusted amount of the second instalment of the Kai Da Consideration.

If the adjusted amount of the second instalment of the Kai Da Consideration:

- (i) is a positive figure, the Purchaser shall pay to KDG such amount on the Kai Da Second Instalment Payment Date;
- (ii) is zero (0), the Purchaser shall not be obliged to pay any amount to KDG under the second instalment of the Kai Da Consideration;
- (iii) is a negative figure, the Purchaser shall not be required to pay to KDG any amount under the second instalment of the Kai Da Consideration and KDG shall pay to the Purchaser such amount equal to such negative figure on the Kai Da Second Instalment Payment Date.

- (2) The adjustment to the third instalment of the Kai Da Consideration

For the purpose of this adjustment, the "**Audited NOP**" is the Kai Da China's audited net operating profit after tax, as recorded in the audited consolidated financial statements of Kai Da China for the year ending 31 December 2015 prepared in accordance with the applicable PRC

accounting principles.

If the Audited NOP is equal to or more than RMB49,380,000 (equivalent to approximately HK\$61,626,000), the Purchaser shall pay the full amount of the third instalment of the Kai Da Consideration (i.e. RMB29,719,000 (equivalent to approximately HK\$37,089,000)) to KDG within the Kai Da Third Instalment Payment Period.

If the Audited NOP is less than RMB49,380,000 (equivalent to approximately HK\$61,626,000) (where the Audited NOP is a negative figure, such Audited NOP shall remain as a negative figure), the amount of the third instalment of the Kai Da Consideration shall be determined in accordance with the following formula:

$$A = E - ((B - C) \times D)$$

where:

- A: the adjusted amount of the third instalment of the Kai Da Consideration;
- B: RMB49,380,000 (equivalent to approximately HK\$61,626,000);
- C: Audited NOP;
- D: 7.5, being the P/E ratio agreed by KDG and the Purchaser; and
- E: RMB29,719,000 (equivalent to approximately HK\$37,089,000), being original amount of the third instalment of the Kai Da Consideration.

Provided that if the adjusted amount of the third instalment of the Kai Da Consideration:

- (i) is a positive figure, the Purchaser shall pay to KDG such amount within the Kai Da Third Instalment Payment Period;
- (ii) is zero (0), the Purchaser shall not be obliged to pay any amount to KDG under the third instalment of the Kai Da Consideration;
- (iii) is a negative figure, the Purchaser shall not be required to pay to KDG any amount under the third instalment of the Kai Da Consideration and KDG shall pay to the Purchaser such amount equal to such negative figure within the Kai Da Third Instalment Payment Period.

Conditions precedent

Kai Da Completion is subject to the fulfilment or (if applicable) waiver of the following Conditions:

- (1) the Stock Exchange having granted the listing of and the permission to deal in, the Kai Da Consideration Shares;
- (2) all necessary consents, approvals, waivers and authorisations in relation to the transactions contemplated under the Kai Da SP Agreement having been obtained by KDG;
- (3) the Purchaser being reasonably satisfied with the results of the due diligence exercise (including but not limited to legal, accounting, financial, business, operational or other aspects that the Purchaser may consider necessary) on each of Kai Da Group's business assets, liability, activities, operations, prospects and other status which the Purchaser, its agents or professional advisers think reasonably necessary and appropriate to conduct;

- (4) the Purchaser having been provided with the PRC legal opinion issued by the qualified PRC lawyers confirming that the formation, continuance and daily operation of Kai Da China are in compliance with all the relevant laws, regulations, rules and other relevant regulations in PRC to the satisfaction of the Purchaser; and
- (5) the warranties given by KDG and the KD Warrantor in the Kai Da SP Agreement remain true, accurate and not misleading.

The Purchaser may waive the Conditions (3), (4) and (5) at any time before the Long Stop Date by notice in writing to KDG. None of the other Conditions Precedent is capable of being waived by any party.

If any of the Conditions shall not have been fulfilled or (if applicable) waived at or before 4:00 p.m. on the Long Stop Date, all rights and obligations of the parties hereto under the SP Agreement shall cease and terminate, save and except certain provisions relating to confidentiality, notice, costs and expenses, governing laws and certain miscellaneous matters which provisions shall remain in full force and effect, and no party hereto shall have any claim against the other save for claim (if any) in respect of any antecedent breach thereof.

Kai Da Completion

Subject to the fulfilment or waiver (as the case may be) of all the conditions set out above, Kai Da Completion shall take place on the Kai Da Completion Date (i.e. the fifth Business Day after all the conditions shall have fulfilled or waived or such other date the Purchaser and KDG may agree in writing).

Immediately after the Kai Da Completion, the Group will own 100% equity interest in Kai Da through the Purchaser and Kai Da will become an indirect wholly-own subsidiary of the Company.

Kai Da Consideration Shares Charge

Upon the Kai Da Completion, KDG shall execute a share charge to charge the Kai Da Consideration Shares to the Purchaser as collateral security for securing KDG's performance of its payment obligation in case where the adjusted second or third instalment of Kai Da Consideration is negative figure.

INFORMATION ABOUT THE KAI DA GROUP

Kai Da is a company incorporated in Cayman Islands with limited liability and is the holding company of the Kai Da Group which is principally engaged in manufacture of and in wires and cables. Kai Da has production capacity for high-rated voltage and extra-high rated voltage power cables.

As at the date of this announcement, Kai Da and Kai Da HK are the investment holding companies. Kai Da only owns 100% of the issued share capital of Kai Da HK, who only owns 100% of the issued share capital of Kai Da China. Kai Da and Kai Da HK have not carried on any business activities nor prepared any financial statements since their respective incorporation.

As at 31 December 2014, the total assets and net assets value of Kai Da China is RMB689,452,748.85 (equivalent to approximately HK\$860,437,000) and RMB280,632,648.51 (equivalent to approximately HK\$350,230,000) respectively

Set out below is certain audited financial information of Kai Da China for the year ended 31 December 2013 and 31 December 2014 respectively:

	For the year ended 31 December 2013 RMB'000	For the year ended 31 December 2014 RMB'000
Net profits (before taxation)	45,158	57,700
Net profits (after taxation)	33,801	42,939

INFORMATION ABOUT THE GROUP

The Company acts as an investment holding company. The Group is principally engaged in manufacture of and trading in wires and cables for power transmission, distribution systems and electrical equipment.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The New Sun Group and Kai Da Group are both principally engaged in manufacture of and trading in wires and cables, which are in line with the principal business of the Group. The Acquisition will, therefore, strengthen the Group's current manufacturing capacity of wires and cables in particular on the high-rated voltage and extra-high rated voltage cable products, increase the Group's product offering with environmental friendly flexible fireproof cables, and enhance the Group's upstream supply of cross-linked polyethylene insulating materials and copper belt for cable shielding. In view of the principal activities of New Sun Group and Kai Da Group, the Directors consider that such close alliance among the Group, the New Sun Group and the Kai Da Group would have synergetic effect and could immediately increase the overall production capacity to cope with the tremendous increase in customers' orders, which will be beneficial to the Group and the shareholders of the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the New Sun SP Agreement and Kai Da SP Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As certain of the relevant percentage ratios (as defined under the Listing Rules) in respect of the New Sun Acquisition are more than 5% but less than 25%, the New Sun Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements of Chapter 14 of the Listing Rules.

As certain of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Kai Da Acquisition are more than 5% but less than 25%, the Kai Da Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements of Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition” collectively, the New Sun Acquisition and the Kai Da Acquisition

“Business Day”	a day, other than Saturday or a day on which a tropical cyclone warning signal No.8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. on which banks generally are open for business in Hong Kong
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Jiangnan Group Limited, a company incorporated in the Cayman Islands, the issued shares of which are listed on the Stock Exchange (stock code: 1366)
“connected person(s)”	has the meaning ascribed to it under 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kai Da”	Kai Da Investments Limited, a company incorporated in Cayman Islands with limited liability
“Kai Da Acquisition”	the acquisition of the Kai Da Sale Share pursuant to the terms and conditions of the Kai Da SP Agreement
“Kai Da Adjustments”	the adjustments which may be made to the Kai Da Consideration as set out in the paragraph headed “The Kai Da SP Agreement – Basis of and adjustments to Kai Da Consideration” above
“Kai Da China”	a company incorporated in the PRC with limited liability and a directly wholly-owned subsidiary of Kai Da HK
“Kai Da Completion”	the completion of the sale and purchase of the Kai Da Sale Share
“Kai Da Completion Date”	the fifth Business Day after all the conditions shall have fulfilled or waived (or such other date as the Purchaser and KDG may agree in writing), on which the Kai Da Completion shall take place

“Kai Da Consideration”	the sum of RMB322,043,000, being the maximum consideration payable by the Purchaser to KDG for the acquisition of the Kai Da Sale Share, among which, (i) as to RMB244,324,000 to be satisfied by way of allotment and issue, credited as fully paid, of 148,740,000 New Sun Consideration Shares; and (ii) as to a maximum sum of RMB77,719,000 to be settled in cash
“Kai Da Consideration Shares”	148,740,000 new Shares to be allotted and issued, credited as fully paid, by the Company at the issue price of approximately HK\$2.050 per Share for part payment of the Kai Da Consideration
“Kai Da Group”	Kai Da and its subsidiaries
“Kai Da HK”	a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of Kai Da
“Kai Da Relevant Date”	31 December 2016 or the date on which all the relevant external guarantees provided by Kai Da China and all the relevant account receivables of Kai Da China as set out in the Kai Da SP Agreement are fully released and collected (whichever is earlier)
“Kai Da Sale Share”	1 issued share of Kai Da, representing 100% of the issued share capital of Kai Da as at Kai Da Completion
“Kai Da Second Instalment Payment Date”	the 10 th Business Day after the Kai Da Relevant Date or such other date as agreed by KDG and the Purchaser in writing
“Kai Da SP Agreement”	the agreement dated 13 April 2015 entered into between the Purchaser, Kai Da as vendor and the KD Warrantor as warrantor in relation to the acquisition of the Kai Da Sale Share
“Kai Da Third Instalment Payment Period”	a period for 30 days commencing from the issue date of the audited consolidated financial statements of Kai Da China for the year ending 31 December 2015 issued by the qualified auditors
“KDG”	KDG Investments Limited, a company incorporated under the laws of BVI
“KD Warrantor”	an individual, being the sole shareholder of KDG, who is an Independent Third Party
“Independent Third Parties”	third parties independent of the Company and connected persons of the Company and “Independent Third Party” shall be construed accordingly
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2015 (or such later date as the Purchaser and

	Nexus or KDG (as the case may be) may agree in writing)
“New Sun”	New Sun Investments Limited, a company incorporated in Cayman Islands with limited liability
“New Sun Acquisition”	the acquisition of the New Sun Sale Shares pursuant to the terms and conditions of the New Sun SP Agreement
“New Sun Adjustments”	the adjustments which may be made to the New Sun Consideration as set out in the paragraph headed “The New Sun SP Agreement – Basis of and adjustments to New Sun Consideration” above
“New Sun China”	a company incorporated in the PRC with limited liability and a directly wholly-owned subsidiary of New Sun HK
“New Sun Completion”	the completion of the sale and purchase of the New Sun Sale Shares
“New Sun Completion Date”	the fifth Business Day after all the conditions shall have fulfilled or waived (or such other date as the Purchaser and Nexus may agree in writing), on which the New Sun Completion shall take place
“New Sun Consideration”	the sum of RMB337,303,000, being the maximum consideration payable by the Purchaser to Nexus for the acquisition of the New Sun Sale Shares, among which, (i) as to RMB244,324,000 to be satisfied by way of allotment and issue, credited as fully paid, of 148,740,000 New Sun Consideration Shares; and (ii) as to a maximum sum of RMB92,979,000 to be settled in cash
“New Sun Consideration Shares”	148,740,000 new Shares to be allotted and issued, credited as fully paid, by the Company at the issue price of approximately HK\$2.050 per Share, for part payment of the New Sun Consideration
“New Sun Group”	New Sun and its subsidiaries
“New Sun HK”	a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of New Sun
“New Sun Relevant Date”	31 December 2016 or the date on which all the relevant external guarantees provided by New Sun China and all the relevant account receivables of New Sun China as set out in the New Sun SP Agreement are fully released and collected (whichever is earlier)
“New Sun Sale Shares”	100 issued shares of New Sun, representing 100% of the issued share capital of New Sun as at New Sun Completion
“New Sun Second Instalment Payment Date”	the 10 th Business Day after the New Sun Relevant Date or such other date as agreed by Nexus and the Purchaser in

	writing
“New Sun SP Agreement”	the agreement dated 13 April 2015 entered into between the Purchaser, New Sun as vendor and the NS Warrantors as warrantor in relation to the acquisition of the New Sun Sale Shares
“New Sun Third Instalment Payment Period”	a period for 30 days commencing from the issue date of the audited consolidated financial statements of New Sun China for the year ending 31 December 2015 issued by the qualified auditors
“Nexus”	Nexus NS Limited, a company incorporated under the laws of BVI
“NS Warrantors”	two individuals, being the shareholders of Nexus, who are Independent Third Parties
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Extra Fame Group Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“Share(s)”	share(s) of the Company of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, New Sun and Kai Da
“Vendors”	collectively, Nexus and KDG

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.248. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

On behalf of the Board
Jiangnan Group Limited
Rui Fubin
Chairman

Hong Kong, 13 April 2015

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 three independent non-executive directors, namely Mr. He Zhisong, Mr. Yang Rongkai and Mr. Poon Yick Pang Philip.