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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)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



Shenwan Hongyuan Securities (H.K.) Limited

PLACING AND SUBSCRIPTION

After trading hours on 24 July 2015, the Vendor, the Company and the Placing Agent entered into the Placing and Subscription Agreement pursuant to which (i) the Vendor agreed to appoint the Placing Agent, and the Placing Agent, as the Placing Agent of the Vendor, agreed to act as the agent for the Vendor, to procure Placees on a best efforts basis for a maximum of 370,806,000 Placing Shares at the Placing Price of HK\$1.95 per Placing Share; and (ii) the Vendor conditionally agreed to subscribe for Subscription Shares at the Subscription Price of HK\$1.95 per Subscription Share which is equivalent to the Placing Price. The Placing Shares will be placed to not less than six Placees (being professional, institutional and other investors, each of which and their respective ultimate beneficial owner(s) is an Independent Third Party).

The maximum total number of the Placing Shares (or the maximum total number of Subscription Shares) represent (i) 10% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.09% 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 Subscription Shares will be equal to the number of Placing Shares. The Subscription is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares; (ii) completion of the Placing; and (iii) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Subscription void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Subscription (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company and/or the Vendor to proceed with the Subscription).

Assuming that the maximum number of 370,806,000 Placing Shares are placed to the Placées in full, the maximum gross proceeds from the Subscription will be approximately HK\$723.1 million and the maximum net proceeds will be approximately HK\$704.2 million. The Company intends to use such net proceeds for overseas sales network establishment, 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 30 April 2015. 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.

Completion of each of the Placing and the Subscription is subject to the terms of the Placing and Subscription Agreement. 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 24 July 2015, the Vendor, the Company and the Placing Agent entered into the Placing and Subscription Agreement, the principal terms of which are summarised below.

PLACING AND SUBSCRIPTION AGREEMENT

Date:

24 July 2015

Parties

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

The Vendor, Power Heritage Group Limited, is a controlling shareholder of the Company holding 1,696,800,000 Shares as at the date of this announcement, representing approximately 45.76% of the existing issued share capital of the Company. The Vendor is owned as to 83% by Mr. Rui, an executive Director and chairman of the Board, and as to 17% by Rui Yiping, son of Mr. Rui and a former Director. Mr. Rui, together with parties acting in concert with him (namely, Mr. Chu Hui, who is the son-in-law of Mr. Rui), holds approximately 50.27% of the issued share capital of the Company as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owners is an Independent Third Party.

Number of Placing Shares

The Placing Agent have agreed to act as the agents for the Vendor to procure Placees, on a best efforts basis, for a maximum of 370,806,000 Placing Shares at HK\$1.95 per Placing Share.

The maximum total number of the Placing Shares represents (i) 10.00% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.09% 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 completion of the Subscription. The maximum nominal value of the Placing Shares under the Placing is HK\$3,708,060.

Placing Price

The Placing Price is HK\$1.95 per Placing Share, representing:

- (i) a discount of approximately 11.36% to the closing price of HK\$2.2 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 7.93% to the average closing price of HK\$2.118 per Share as quoted on the Stock Exchange for the five consecutive 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 Placing Agent 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 and Subscription 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.

Placees

The Placing Shares will be placed to not less than six Placees (being professional, institutional and other investors, each of which and their respective ultimate beneficial owner(s) is an Independent Third Party). It is expected that none of the Placees will become substantial Shareholders immediately following completion of the Placing and the Subscription.

Ranking of the Placing Shares

The Placing Shares rank, upon issue, pari passu in all respects with the other Shares in issue as of the date which is two business days before the Closing Date.

Conditions of the Placing

The Placing is unconditional.

Completion of the Placing

Completion of the Placing is expected to take place on the Closing Date.

Termination of the Placing and Subscription Agreement

Under the Placing and Subscription Agreement, if at any time at or prior to 10:00 a.m. on the Closing Date:

- (1) there develops, occurs or comes into force:
 - (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations which in the sole judgement of the Placing Agent has or is likely to have a material adverse effect on the financial position of the Group as a whole or to the success of the Placing; or
 - (ii) any significant change (whether or not permanent) in local, national or international monetary, economic, financial, political or military conditions which in the sole judgement of the Placing Agent is or would be materially adverse to the success of the Placing; or
 - (iii) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or exchange controls which in the sole judgement of the Placing Agent is or would be materially adverse to the success of the Placing; or makes it impracticable or inadvisable or inexpedient to proceed therewith; or

- (iv) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong; or
 - (v) a change or development involving a prospective change in taxation which has or is likely to have a material adverse effect on the Company, the Placing Shares or the transfer thereof; or
 - (vi) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong or the declaration by the PRC, of a national emergency or war is or would be materially adverse to the success of the Placing; or
 - (vii) any suspension of dealings in the Shares on the Stock Exchange for consecutive 10 days for any period whatsoever (other than as a result of the Placing or the Subscription); or
 - (viii) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, due to exceptional financial circumstances or otherwise at any time prior to the Closing Date; or
- (2) any breach of any of the representations, warranties and undertakings by the Company and/or the Vendor set out in the Placing and Subscription Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing and Subscription Agreement and prior to the Closing Date which if it had occurred or arisen before the date of the Placing and Subscription Agreement would have rendered any of such representations, warranties and undertakings untrue or incorrect in any respect or there has been a breach of, or failure to perform, any other provision of the Placing and Subscription Agreement on the part of the Vendor and/or the Company; or
- (3) there is any such adverse change, or development involving a prospective adverse change, in the general affairs, condition, results of operations or prospects, management, business, stockholders' equity or in the financial or trading position of the Group as a whole which in the sole judgement of the Placing Agent is materially adverse to the success of the Placing;

then and in any such case, the Placing Agent may terminate the Placing and Subscription Agreement without liability to the Vendor and the Company by giving notice in writing to the Vendor and the Company, which notice may be given at any time on or before 10:00 a.m. (Hong Kong time) on the Closing Date, and in such case, all obligations of each of the parties under the Placing and Subscription Agreement shall cease and determine and no party thereto shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing and Subscription Agreement except for (i) any antecedent breaches; (ii) that the Vendor shall remain liable for the payment of all costs and expenses referred to in the Placing and Subscription Agreement already incurred; and (iii) certain provisions of the clauses on indemnity by the Vendor and the Company under the Placing and Subscription Agreement.

Number of Subscription Shares

The number of Subscription Shares is equal to the number of Placing Shares, being a maximum of 370,806,000 new Shares with an aggregate maximum nominal value of HK\$3,708,060. The maximum number of the Subscription Shares represent (i) 10.00% of the existing issued share capital of the Company; and (ii) approximately 9.09% 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 “Placing and Subscription 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 Shares in issue by the Company 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 after the date of allotment.

Conditions of the Subscription

The Subscription is condition upon:

- (1) the Listing Committee of the Stock Exchange granting listing of and permission to deal in all the Subscription Shares (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);
- (2) completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement; and
- (3) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Subscription void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Subscription (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company and/or the Vendor to proceed with the Subscription).

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

Completion of the Subscription

Subject to the fulfilment of the above conditions, completion of the Subscription shall take place on the business day immediately after the last of the conditions referred to above are fulfilled or such other date as the Vendor and the Company may agree in writing, in any event, not later than 14 days after the date of the Placing and Subscription Agreement.

If the conditions referred to above are not fulfilled on or prior to 6 August 2015, the obligations and liabilities of the Vendor and the Company under the Subscription shall be null and void and neither the Company nor the Vendor shall have any claim against the other for costs, damages, compensation or otherwise provided that the Company shall reimburse the Vendor any legal fees and out-of-pocket expenses which the Vendor shall be obliged to pay in connection with the Placing.

ISSUE OF SUBSCRIPTION SHARES UNDER GENERAL MANDATE

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 30 April 2015. Under the General Mandate, the Directors are allowed to allot and issue up to 735,612,000 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 principally engaged in manufacture of and trading in wires and cables for power transmission, distribution systems and electrical equipment.

The Directors 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 the Placing and Subscription Agreement (including the Placing Price and 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 370,806,000 Placing Shares are placed under the Placing and the equivalent number of Subscription Shares are subscribed for under the Subscription, the gross proceeds and net proceeds from the Subscription will be approximately HK\$723.1 million and approximately HK\$704.2 million respectively. On such basis, the net price to the Company of each Subscription Share is approximately HK\$1.90. The Group intends to utilise the net proceeds from the Subscription for overseas sales network establishment, 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 exercise mentioned below, the Company has not carried out other fund raising activities during the 12 months immediately preceding date of this announcement:

Date of announcement	Fund raising exercise	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
11 September 2014 and 19 September 2014	Placing and subscription of 317,950,000 Shares at HK\$1.95 per Share	Approximately HK\$607 million	For establishing production facilities and production lines, investment in cable related business as well as working capital of the Group	Utilised as intended, as to HK\$15 million for establishing production facilities and production lines, as to HK\$213 million for investment in cable related business; and as to HK\$379 million as working capital of the Group

EFFECTS ON SHAREHOLDING STRUCTURE

The following table illustrates (i) the shareholding structure of the Company as at the date of this announcement; (ii) the shareholding structure of the Company immediately after the completion of the Placing but before completion of the Subscription (assuming the Placing Shares are placed in full and there will not be any change in the issued share capital of the Company from the date of this announcement to the completion of the Placing); and (iii) the shareholding structure of the Company immediately after completion of the Subscription (assuming the Subscription Shares are subscribed in full and there will not be any change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the allotment and issue of the Subscription Shares):

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 completion of the Subscription		(3) Immediate after completion of the Subscription (assuming the Subscription Shares are subscribed in full)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Vendor (<i>Note 1</i>)	1,696,800,000	45.76	1,325,994,000	35.76	1,696,800,000	41.60
Chu Hui (<i>Note 2</i>)	<u>167,286,000</u>	<u>4.51</u>	<u>167,286,000</u>	<u>4.51</u>	<u>167,286,000</u>	<u>4.10</u>
<i>Sub-total of the Vendor and parties acting in concert with it (Note 3)</i>	1,864,086,000	50.27	1,493,280,000	40.27	1,864,086,000	45.70
Xia Yafang (<i>Note 4</i>)	112,000	0.00	112,000	0.00	112,000	0.00
<i>Public Shareholders:</i>						
Places	—	—	370,806,000	10.00	370,806,000	9.09
Other public shareholders	<u>1,843,862,000</u>	<u>49.73</u>	<u>1,843,862,000</u>	<u>49.73</u>	<u>1,843,862,000</u>	<u>45.21</u>
Total:	<u><u>3,708,060,000</u></u>	<u><u>100.00</u></u>	<u><u>3,708,060,000</u></u>	<u><u>100.00</u></u>	<u><u>4,078,866,000</u></u>	<u><u>100.00</u></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, son of Mr. Rui and a former Director.
2. Mr. Chu Hui is an executive Director and the son-in-law of Mr. Rui.
3. The Vendor, together with persons acting in concert with it has continuously held more than 50% of the voting rights of the Company for at least 12 months immediately preceding the date of the Placing and Subscription Agreement.
4. Ms. Xia Yafang is an executive Director.

Completion of each of the Placing and the Subscription is subject to the terms of the Placing and Subscription Agreement. 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 Code on Takeovers and Mergers of Hong Kong
“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 licensed banks in Hong Kong are generally open for business
“Closing Date”	the date on which completion of the Placing takes place, which is expected to be 29 July 2015 (or such other date as the Vendor and the Placing Agent may agree in writing)
“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 30 April 2015 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 30 April 2015, 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
“Independent Third Party”	a third party independent of the Company and the connected persons (as defined in the Listing Rules) of the Company
“Last Trading Day”	24 July 2015, being the date of the Placing and Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Rui”	Mr. Rui Fubin, an executive Director and chairman of the Board
“Placee(s)”	the placee(s) to be procured by the Placing Agent under the Placing
“Placing”	the placing, on a best effort basis, of a maximum of 370,806,000 existing Shares pursuant to the terms of the Placing and Subscription Agreement

“Placing Agent”	Shenwan Hongyuan Securities (H.K.) Limited, a licensed corporation to carry on business in Type 1 (dealing in securities) regulated activity under the SFO
“Placing and Subscription Agreement”	the placing and subscription agreement dated 24 July 2015 entered into between the Vendor, the Company and the Placing Agent in relation to the Placing and the Subscription
“Placing Price”	HK\$1.95 per Placing Share
“Placing Shares”	a maximum of 370,806,000 existing Shares and each, a “Placing Share”
“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
“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 Placing and Subscription Agreement
“Subscription Price”	HK\$1.95 per Subscription Share
“Subscription Shares”	a number of new Shares to be subscribed by the Vendor pursuant to the Placing and Subscription Agreement, which number shall be equal to the number of Placing Shares actually placed under the Placing and Subscription Agreement and each, a “Subscription Share”
“Vendor”	Power Heritage Group Limited, a company incorporated in the British Virgin Islands, owned as to approximately 83% by Mr. Rui and as to 17% by Rui Yiping, son of Mr. Rui and a former Director, and a controlling shareholder of the Company

“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, 24 July 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.