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JIANGNAN GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1366)

MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE SET UP OF A JOINT VENTURE

This announcement is made by Jiangnan Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Insider Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company is pleased to announce that on 17 October 2015 the Company and HC International, Inc. (“**HCI**” together with its subsidiaries, the “**HCI Group**”) entered into a non-legally binding memorandum of understanding (the “**MOU**”). Pursuant to the MOU, both HCI and the Company propose to use their best endeavors to establish a joint venture company (the “**JV Company**”) in the People Republic of China according to the investment ratio set out in the MOU, with the purpose of providing a reliable trading platform and a comprehensive e-commerce solution for wire and cable manufacturers.

MAJOR TERMS OF THE MOU

Date

17 October 2015

Parties

(A) Jiangnan Group Limited

(B) HC International, Inc.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, HCI is an independent third party and not connected with the Company and its connected persons (as defined under the Listing Rules).

Investment ratio and equity

The registered capital of the JV Company is RMB10 million, of which the Company will invest RMB6 million and HCI will invest RMB4 million. Equity holding ratio: the Company: 60%, HCI: 40%.

The proposed cooperation under the MOU

The MOU is intended to establish a co-operation in principles in the following terms, through the co-operation project:

1. Leverage on the expertise of HCI to establish an e-commerce direct sales platform for the Company and to assist the overall brand promotion for the Company in the wire and cable industry.
2. With the advantages of the combined resources of the Company (or its subsidiaries) and HCI (or its subsidiaries), to promote and undertake the tracking, collection and analysis of big data in the operations of the wire and cable industry, to enhance the information management level of the wire and cable industry.
3. the Company (or its subsidiaries) will authorize the JV Company to use the 107 sales shops and the product inspection centre of the Company, together with the online e-commerce platform and the big data collected to establish a "Internet + wire and cable sales service" trading platform for the wire and cable industry. Parties will combine both online and offline characteristics for the promotion of business of wire and cable industry.
4. Both parties will build and share the data of the "Internet + wire and cable sales service" smart data platform.

Upon entry into force of the MOU, the Parties will within the validity of the MOU, proceed with the friendly consultations and negotiations to work out the specific cooperation format and details, and through consultations and negotiations to prepare separate agreement to define the rights and obligations of the parties in the matters under the specific cooperation project and so forth. It is expected that the signing of the formal joint venture agreement will be within 3 months from the date of signing of the MOU.

The MOU is exclusive and both parties cannot enter into any negotiation, agreement or arrangement with any other party relating to e-commerce collaboration, alliance or joint venture with regard to wire and cable business commencing from the date of MOU to 90 days there after. The MOU cannot be terminated without mutual agreement.

REASONS FOR THE COOPERATION

The Group is one of the largest manufactures of power cables and wires and cables for electrical equipment in the PRC. The Group's products are widely used in power industry, infrastructure, general industries and property sector. The Group has extensive sales network covers more than 300 cities in China and with 107 direct sales stores, as a result creating a high quality platform for its direct sales product. The Group set the prices of products selling in the direct sales stores and allow customers to experience the products directly. In the past, the direct sales stores contributed approximately 20% of the Group's turnover. The MOU allows the Group to bring its offline business online and establishes an e-commerce direct sales platform for the Company. Through cooperation with HCI, the JV Company will provide an online trading platform for the wire and cable industry to enhance product deployment based on customers demand and to improve inventory turnover. The Group's direct sales stores will provide an offline solution for the online trading platform. The Group also has a national laboratory which can provide product accreditation for manufacturers of wire and cable industry, and especially small and medium enterprises. This helps to resolve the concerns on product quality for purchasing online.

HCI is listed on the main board of the Hong Kong Exchanges and Clearing Limited (Stock Code: 2280). HCI is one of the leading domestic B2B e-commerce operators in the People's Republic of China. With its professional information services and advanced internet technologies, it has established a reliable demand and supply platform for enterprises, and has been providing them with complete business solutions. HCI's businesses are segmented into (i) Online services (via the following websites: www.hc360.com 及 www.zol.com.cn); (ii) Trade catalogues and yellow page directories; (iii) Seminars and other services; (iv) O2O appliance business exhibition center; and (v) Anti-counterfeiting products and services.

The Directors consider that entering into the MOU not only in line with the Company's own development in internet service but also is complement to enhance the Company's retail sector business. The development is also in line with the trend in the information technology industry for the big data market in the PRC. The Group is expected to benefit through the combination of its extensive offline resources and the expertise and rich experience of HCI in developing internet e-commerce platform. Such integration will bring in a new sales and marketing channel and will add a new revenue stream for the Group.

As the set up of the JV Company may or may not proceed, shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Jiangnan Group Limited
Rui Fubin
Chairman

Hong Kong, 18 October 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.