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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)

CLARIFICATION ANNOUNCEMENT

This is an announcement of Jiangnan Group Limited (“Company” along with its subsidiaries, collectively referred to as the “Group”) in response to an allegation against the Group regarding its credit exposure on trade receivables contained in an article published online.

The Group is principally engaged in the manufacturing and trading of wires and cables, which are exposed to certain market risks including credit risk. As mentioned in the Company’s annual report for the year ended 31 December 2016 (“2016 Annual Report”), the carrying amounts of trade and other receivables, bills receivables and bank and cash balances, including pledged bank deposits as presented in the consolidated statement of financial position set out in the 2016 Annual Report, represent the Group’s exposure to credit risk in relation to its financial assets.

The Group’s credit risk is primarily attributable to its trade and other receivables. The Group has policies in place to ensure that sales are made to customers following an appropriate credit assessment. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer’s credit quality and defines credit limits by customer. In addition, the management of the Group visits customers frequently to assess the customers’ credit status. The management of the Group also reviews the recoverable amount of each trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In determining the recoverability of the trade receivables, the Group takes into consideration of credit history of trade receivables including default or delay in payments, settlement history and aging analysis of trade receivables. Following the identification of doubtful debts, the credit team discussed with the relevant customers and reports on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. Where the expectation on the recoverability of the debts is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which

such estimate has been changed. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, further allowance for bad and doubtful debts would be made.

As at 31 December 2016, the five largest trade and bills receivables represented approximately 11.4% (2015: 15.2%) of the total trade and bills receivables. The average outstanding amount a customer owed the Group decreased from approximately RMB410,200 as at 31 December 2015 to approximately RMB304,400 as at 31 December 2016, representing a decline of 26%. The Company considered that the concentration of credit risk is limited due to customer base being large and unrelated.

There was an allegation that the Group's trade and bills receivables aged over 365 days as at 31 December 2015 of RMB274,053,000 would be required to be impaired in the year ending 31 December 2017 as it will become aged over 3 years. The Company considered that the allegation was totally unfounded and misleading. The Company would like to clarify that (i) of the over 365 days outstanding trade and bills receivables as at 31 December 2015, approximately 90% of the said amount had been settled subsequently and the outstanding unsettled amount was mainly retention money due by state-owned enterprises; and (ii) as at 31 December 2016, the Company had trade and bills receivables which aged over 365 days amounting to RMB446,376,000; and subsequent to 31 December 2016 and up to 30 April 2017, approximately 27% of the 2016 over 365 days outstanding trade and bills receivables had been settled.

On behalf of the Board
Jiangnan Group Limited
Chu Hui
Chairman

26 May, 2017

As at the date of this announcement, the Board comprises four executive directors, namely 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.