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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)

VOLUNTARY ANNOUNCEMENT RESOLVING OF HIGH SHAREHOLDING CONCENTRATION

This is a voluntary announcement of Jiangnan Group Limited (“**Company**”) to inform its shareholders and potential investors on the Company’s shareholding structure as at 30 September 2017, following the completion of the inquiries (“**Inquiries**”) made by the Company in relation to the interests in the shares of the Company (“**Shares**”) pursuant to section 329 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) on 8 November 2017.

The announcement is made in response to the announcement (“**2012 Announcement**”) made by the Securities and Future Commission (“**SFC**”) on 19 September 2012 regarding the then high concentration of shareholding in the Company. In this respect, the board (“**Board**”) of directors (“**Directors**”) of the Company wishes to inform the shareholders and potential investors of the Company that the SFC has explicitly stated on its website and in the 2012 Announcement that the 2012 Announcement only reflected the status of the Company’s shareholding structure as at the time mentioned in the 2012 Announcement, i.e. 10 September 2012. Therefore, the shareholders and potential investors of the Company should note that the information disclosed in the 2012 Announcement might or might not apply to the Company as of a subsequent date and investors should exercise caution when interpreting or relying on such information.

In fact, the Company had taken various actions to bring in new investors to broaden its shareholding base, which included continuous communication with potential investors of the Company to attract their investments and the successful placements of Shares to certain professional, institutional or other investors on 16 September 2014 and 29 July 2015 respectively. The Company had also demonstrated in its announcements dated 18 February 2016, 12 July 2016, 19 August 2016, 15 November 2016, 22 February 2017, 8 May 2017 and 14 August 2017, that the shareholding structure of the Company as at 31 December 2015, 31 March 2016, 30 June 2016, 30 September 2016, 31 December 2016, 31 March 2017 and 30 June 2017 respectively, have been diversified instead of highly concentrated as compared with the shareholding structure of the Company as at 10 September 2012. To

allow the shareholders and potential investors of the Company to have a better understanding of the Company's recent shareholding structure, the Board, based on the Inquiries and to the best of its knowledge having made all reasonable inquiries, has analysed the shareholding structure of the Company as at 30 September 2017, which is as follows:

| | Number of Shares held (Shares) | % of total number of issued Shares (%) |
|--|---|---|
| Power Heritage Group Limited ^(Notes 1 & 2) | 1,258,838,000 | 30.86 |
| Mr. Chu Hui ^(Note 3) | 167,786,000 | 4.11 |
| Mr. Rui Yiping ^(Notes 1 & 4) | 348,000,000 | 8.53 |
| Ms. Xia Yafang ^(Note 3) | 612,000 | 0.02 |
| Mr. Jiang Yongwei ^(Note 3) | 500,000 | 0.01 |
| Mr. Hao Minghui ^(Note 3) | 500,000 | 0.01 |
| KDG Investment Limited ^(Note 5) | 148,740,000 | 3.65 |
| Nexus NS Limited ^(Note 5) | 148,740,000 | 3.65 |
| Jiangnan Group Share Award Scheme | 40,671,000 | 1.00 |
| A group of 111 institutional shareholders who held 100,000 Shares or more ^(Note 6) | 474,287,678 | 11.63 |
| A group of 1,471 private individual shareholders who held 100,000 Shares or more ^(Note 7) | 1,208,975,250 | 29.64 |
| Other shareholders | 281,216,072 | 6.89 |
| | <u>4,078,866,000</u> | <u>100.00</u> |

Note 1: Based on the disclosure of interests published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

Note 2: As at 30 September 2017, Power Heritage Group Limited was wholly-owned by Mr. Chu Hui, the chairman, the chief executive officer and an executive director of the Company.

Note 3: These represent Shares held by the relevant shareholders of the Company based on the disclosure of interests published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk, but excluding the Shares not yet vested to the relevant shareholders of the Company.

Note 4: Mr. Rui Yiping is the brother-in-law of Mr. Chu Hui.

Note 5: These represent the consideration shares issued by the Company on 29 April 2015, details of which are set out in the Company's announcements dated 14 April 2015 and 29 April 2015. According to the register of members of the Company as at 30 September 2017, these shareholders still held the Shares on 30 September 2017.

Note 6: Based on the Inquiries for shareholding at or over 100,000 Shares, there were 111 institutional shareholders.

Note 7: Based on the Inquiries for shareholding at or over 100,000 Shares, there were 1,471 private individual shareholders.

To further demonstrated that the Company’s shareholding is no longer highly concentrated, the Company has based on the Inquiries, summarized the percentage shareholdings by its top shareholders since 31 December 2016 as below:

| | 31 December 2016 | 31 March 2017 | 30 June 2017 | 30 September 2017 |
|---------------------|-----------------------------|--------------------------|-------------------------|------------------------------|
| Top 10 shareholders | 64.24% | 65.17% | 65.05% | 60.38% |
| Top 20 shareholders | 72.52% | 72.31% | 70.45% | 65.77% |
| Top 25 shareholders | 74.76% | 74.21% | 72.27% | 67.45% |

According to the high concentration of shareholding announcements (“**SFC Announcements**”) made by the SFC since 1 January 2015, it was noted that the company with the lowest percentage shareholding by its top 20 shareholders disclosed in such announcements had a percentage shareholding by its top 20 shareholders of 86.69%, which was higher than any of the percentage shareholdings by the top 20 shareholders of the Company as at 31 December 2016, 31 March 2107, 30 June 2017 and 30 September 2017.

According to the MSCI Global Investable Market Indexes (“**MSCI GIMI**”) Methodology (“**Methodology**”) published by MSCI in August 2016, the securities of companies disclosed as having high shareholding concentration in the SFC Announcements are not eligible for inclusion in the MSCI GIMI. The securities of such companies will remain ineligible for inclusion in the MSCI GIMI until sufficient public disclosure has been made by the issuing companies confirming an increase in free float that results in a Foreign Inclusion Factor (“**FIF**”) equal to or larger than 0.15, following the publication of the SFC Announcements. It is understood that companies the securities of which are eligible for inclusion in the MSCI GIMI have to meet the minimum free float-adjusted market capitalization, which is defined by MSCI as FIF times the market capitalization of the relevant company. The Company has based on the results of the Inquiries, classified its shareholders into two types, namely strategic shareholders (i.e. non-free float) and non-strategic shareholders (i.e. free float) according to the Methodology. The Company’s self-assessment of its free float shareholdings, FIF and free float-adjusted market capitalization is summarized and disclosed as below:

| | 31 December 2016 | 31 March 2017 | 30 June 2017 | 30 September 2017 |
|---|-----------------------------|--------------------------|-------------------------|------------------------------|
| Free Float Shareholdings | 43.5% | 44.5% | 44.1% | 46.6% |
| FIF | 0.45 | 0.45 | 0.45 | 0.5 |
| Free Float-adjusted market capitalization of the Company (USD in million) | 258.0 | 252.8 | 160.2 | 120.3 |

The above demonstrates that the shareholding structure of the Company as at 30 September 2017 has been diversified as compared with that as at 10 September 2012. Together with the announcements of the Company dated 18 February 2016, 12 July 2016, 19 August 2016, 15 November 2016, 22 February 2017, 8 May 2017 and 14 August 2017, it further demonstrates that the diversified shareholding structure of the Company has continuously existed for a period of time. The high concentration of shareholding in the Company as at

10 September 2012 as stated in the 2012 Announcement is no longer valid and should not be used as a basis to evaluate the current status of the shareholding structure of the Company.

On behalf of the Board
Jiangnan Group Limited
Chu Hui
Chairman

13 November, 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.