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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)

ANNOUNCEMENT

MONTHLY PROGRESS UPDATE ON POSSIBLE PRIVATISATION

PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE

This announcement is made by Jiangnan Group Limited (the “**Company**”) pursuant to Rule 3.7 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”).

Reference is made to the announcements of the Company dated 17 October 2016, 17 November 2016, 16 December 2016 and 16 January 2017 (the “**Previous Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those used in the Previous Announcements.

UPDATE ON THE PROPOSAL

As mentioned in the Previous Announcements, the Board has received an expression of interest from the controlling shareholder of the Company, Power Heritage Group Limited (the “**Potential Offeror**”) in relation to a proposal for the privatisation of the Company by way of a scheme of arrangement (under section 86 of the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised, of the Cayman Islands) which involves the cancellation of the Shares other than those held by the Potential Offeror and its concert parties (the “**Proposal**”).

The Board has been informed by the Potential Offeror that, among others: (i) the Potential Offeror has been negotiating the terms and structure of the financing arrangements (including regulatory approvals required) for the Proposal with certain financial institutions; (ii) as part of the Potential Offeror’s consideration of the Proposal, it is in indicative discussions with other potential institutional investors in relation to their possible participation in the Proposal and the terms and structure of the Proposal; and (iii) it is

currently working towards an indicative non-binding timetable of issuing either an announcement of a firm intention to make an offer pursuant to Rule 3.5 of the Takeovers Code or an announcement of a decision not to proceed with the Proposal on or before the end of March 2017. However, the aforementioned negotiations with certain financial institutions and discussions with other potential institutional investors are still in progress, the terms and conditions of the Proposal remain under consideration by the Potential Offeror, and no formal proposal in relation to the possible privatisation of the Company has been put forward to the Board as at the date of this announcement.

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the Proposal will be made by the Company until an announcement is made of a firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with the Proposal is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and/or the Takeovers Code (as the case may be).

The discussions in relation to the Proposal are still preliminary. There is no assurance that any transaction mentioned in this announcement and/or the Previous Announcements will either materialise or eventually be consummated, and the discussions in relation to the Proposal may or may not lead to the making of a privatisation offer in relation to the Company. Shareholders of the Company and/or potential investors are reminded that the implementation of the Proposal is subject to the satisfaction or waiver of a number of pre-conditions and therefore the Proposal may or may not proceed, and should the Proposal proceed, there is no certainty that the Proposal will ultimately become effective. Shareholders of the Company and potential investors are also advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisors.

On behalf of the Board
Jiangnan Group Limited
Chu Hui
Chairman

Hong Kong, 16 February 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.

The directors of the Company jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.