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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)

DISCLOSEABLE TRANSACTIONS: FINANCE LEASE ARRANGEMENTS

FINANCE LEASE ARRANGEMENTS

The Board is pleased to announce that on 7 January 2022 (after trading hours), Wuxi Jiangnan, an indirect wholly-owned subsidiary of the Company, and Suyin Financial entered into (1) the Transfer Agreements, pursuant to which the Leased Assets shall be transferred from Wuxi Jiangnan to Suyin Financial at a total consideration of RMB200,000,000; and (2) the Leaseback Agreements, pursuant to which the Leased Assets shall be leased by Suyin Financial to Wuxi Jiangnan for a term of 30 months at total lease payments of approximately RMB217,356,940 (subject to adjustment), subject to the terms and conditions provided therein.

LISTING RULES IMPLICATIONS

As the First Finance Lease Arrangement and the Second Finance Lease Arrangement were entered into by the Group with the same party, i.e. Suyin Financial, the First Finance Lease Arrangement and the Second Finance Lease Arrangement are aggregated for the purpose of Chapter 14 of the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Finance Lease Arrangements exceeds 5% but is less than 25%, the Finance Lease Arrangements constitute discloseable transactions of the Company and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 7 January 2022 (after trading hours), Wuxi Jiangnan, an indirect wholly-owned subsidiary of the Company, and Suyin Financial entered into (1) the Transfer Agreements, pursuant to which the Leased Assets shall be transferred from Wuxi Jiangnan to Suyin Financial at a total consideration of RMB200,000,000; and (2) the Leaseback Agreements, pursuant to which the Leased Assets shall be leased by Suyin Financial to Wuxi Jiangnan for a term of 30 months at total lease payments of approximately RMB217,356,940 (subject to adjustment), subject to the terms and conditions provided therein.

FINANCE LEASE ARRANGEMENTS

The principal terms of the Transfer Agreements and the Leaseback Agreements are set out below:

(1) The First Transfer Agreement

Date:	7 January 2022 (after trading hours)
Parties:	(1) Wuxi Jiangnan (as vendor) (2) Suyin Financial (as purchaser)
Subject assets:	The First Leased Assets
Consideration:	RMB100,000,000
Terms of payment:	Payable upon receipt of the payment notice issued by Wuxi Jiangnan 5 business days in advance of the date of the payment, which is currently expected to be paid on 10 January 2022.

(2) The Second Transfer Agreement

Date:	7 January 2022 (after trading hours)
Parties:	(1) Wuxi Jiangnan (as vendor) (2) Suyin Financial (as purchaser)
Subject assets:	The Second Leased Assets
Consideration:	RMB100,000,000

Terms of payment: Payable upon receipt of the payment notice issued by Wuxi Jiangnan 5 business days in advance of the date of the payment, which is currently expected to be paid on 10 January 2022.

(3) The First Leaseback Agreement

Date: 7 January 2022 (after trading hours)

Parties: (1) Wuxi Jiangnan (as lessee)
(2) Suyin Financial (as lessor)

Scope of services: Suyin Financial shall lease the First Leased Assets to Wuxi Jiangnan for lease payment.

Lease term: The lease term under the First Leaseback Agreement shall be 30 months, which is currently expected to commence on 10 January 2022.

Legal title: Suyin Financial shall own the legal title of the First Leased Assets during the lease term.

Lease payment: The total lease amount payable to Suyin Financial under the First Leaseback Agreement (excluding the repurchase cost) is RMB108,678,470, being the sum of (i) the total consideration of the First Leased Assets of RMB100,000,000; and (ii) the total estimated interests of RMB8,678,470 calculated at the lease interest rate of 6.17%, which is a floating rate determined with reference to the loan prime rate with a maturity of 5 years as promulgated by the National Interbank Funding Centre under the authority of the People's Bank of China from time to time (“LPR”) (i.e. 4.65%, being the LPR as at the date of the First Leaseback Agreement) plus 152 basis points. Such lease interest rate shall be adjusted on annual basis on 1 January of each year whenever there is any upward or downward change of over 30 basis points between the LPR as at the date of the First Leaseback Agreement (i.e. 4.65%) and the LPR prevailing on the date of adjustment. The total lease amount shall be payable by Wuxi Jiangnan in 10 quarterly instalments.

Security deposit:	Under the First Leaseback Agreement, Wuxi Jiangnan shall pay RMB9,200,000 to Suyin Financial as a security deposit by 10 January 2022, which shall be deducted by Suyin Financial as payment for any lease payment instalments and other payments that Wuxi Jiangnan is required to pay under the First Leaseback Agreement but has failed to pay as they become due.
Repurchase cost:	Upon maturity of the lease term and subject to the fulfilment of all of its obligations under the First Leaseback Agreement, Suyin Financial shall transfer the First Leased Assets to Wuxi Jiangnan at a nominal consideration of RMB1,000.
Security:	The obligations of Wuxi Jiangnan under the First Leaseback Agreement are secured by (i) the personal guarantee given by Mr. Chu; (ii) the personal guarantee given by the spouse of Mr. Chu; (iii) the corporate guarantee given by Wuxi New Suneng; and (iv) the corporate guarantee given by Yixing Jinxiao.

(4) The Second Leaseback Agreement

Date:	7 January 2022 (after trading hours)
Parties:	(1) Wuxi Jiangnan (as lessee) (2) Suyin Financial (as lessor)
Scope of services:	Suyin Financial shall lease the Second Leased Assets to Wuxi Jiangnan for lease payment.
Lease term:	The lease term under the Second Leaseback Agreement shall be 30 months, which is currently expected to commence on 10 January 2022.
Legal title:	Suyin Financial shall own the legal title of the Second Leased Assets during the lease term.

- Lease payment:** The total lease amount payable to Suyin Financial under the Second Leaseback Agreement (excluding the repurchase cost) is RMB108,678,470, being the sum of (i) the total consideration of the Second Leased Assets of RMB100,000,000; and (ii) the total estimated interests of RMB8,678,470 calculated at the lease interest rate of 6.17%, which is a floating rate determined with reference to the LPR as at the date of the Second Leaseback Agreement (i.e. 4.65%) plus 152 basis points. Such lease interest rate shall be adjusted on annual basis on 1 January of each year whenever there is any upward or downward change of over 30 basis points between the LPR as at the date of the Second Leaseback Agreement (i.e. 4.65%) and the LPR prevailing on the date of adjustment. The total lease amount shall be payable by Wuxi Jiangnan in 10 quarterly instalments.
- Security deposit:** Under the Second Leaseback Agreement, Wuxi Jiangnan shall pay RMB9,200,000 to Suyin Financial as a security deposit by 10 January 2022, which shall be deducted by Suyin Financial as payment for any lease payment instalments and other payments that Wuxi Jiangnan is required to pay under the Second Leaseback Agreement but has failed to pay as they become due.
- Repurchase cost:** Upon maturity of the lease term and subject to the fulfilment of all of its obligations under the Second Leaseback Agreement, Suyin Financial shall transfer the Second Leased Assets to Wuxi Jiangnan at a nominal consideration of RMB1,000.
- Security:** The obligations of Wuxi Jiangnan under the Second Leaseback Agreement are secured by (i) the personal guarantee given by Mr. Chu; (ii) the personal guarantee given by the spouse of Mr. Chu; (iii) the corporate guarantee given by Wuxi New Suneng; and (iv) the corporate guarantee given by Yixing Jinxiao.

INFORMATION OF THE LEASED ASSETS

The Leased Assets consist of the First Leased Assets and the Second Leased Assets, which are all machineries and equipment of a power cable production line of Wuxi Jiangnan. As at 31 December 2021, the unaudited carrying value of the Leased Assets was RMB252,917,700. The Leased Assets did not generate any revenue or profits for the years ended 31 December 2020 and 2021.

In accordance with the requirements of the Hong Kong Financial Reporting Standards, the Finance Lease Arrangements shall be accounted for as secured borrowing of the Group with the Leased Assets still being recognised as the assets of the Group in the financial statements of the Group; and therefore would not give rise to any gain or loss.

INFORMATION OF THE PARTIES TO THE TRANSFER AGREEMENTS AND THE LEASEBACK AGREEMENTS

The Company is a company incorporated in the Cayman Islands with limited liability and is an investment holding company, which through its subsidiaries is principally engaged in manufacture of and trading in wires and cables for power transmission, distribution systems and electrical equipment.

Wuxi Jiangnan, an indirect wholly-owned subsidiary of the Company, is a company established in the PRC with limited liability, which is principally engaged in manufacture of and trading in wires and cables for power transmission, distribution systems and electrical equipment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (1) Suyin Financial is a company established in the PRC with limited liability which is principally engaged in the provision of financial leasing services, and is owned as to 51.25% by Bank of Jiangsu Co., Ltd.* (江蘇銀行股份有限公司) ("**Bank of Jiangsu**"), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600919); and (2) save for Bank of Jiangsu, there is no shareholder owning 1/3 or more of the capital of Suyin Financial.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Suyin Financial and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company as at the date of this announcement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE ARRANGEMENTS

The terms of the Finance Lease Arrangements were determined after arm's length negotiations between the parties with reference to the unaudited net book value of the Leased Assets, the interest payable to Suyin Financial under the Leaseback Agreements and the prevailing market practice. The Group will be able to replenish the operating cash of Wuxi Jiangnan through the Finance Lease Arrangements and it is currently expected that the proceeds from the Transfer Agreements would be used for purchasing materials for daily operation of Wuxi Jiangnan. In addition, as the lease terms of the Leaseback Agreements are 30 months, the Finance Lease Arrangements will also improve the financial strength of the Group by reducing its reliance on short-term borrowings. The Directors are of the view that the terms and conditions of the Finance Lease Arrangements are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the First Finance Lease Arrangement and the Second Finance Lease Arrangement were entered into by the Group with the same party, i.e. Suyin Financial, the First Finance Lease Arrangement and the Second Finance Lease Arrangement are aggregated for the purpose of Chapter 14 of the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Finance Lease Arrangements exceeds 5% but is less than 25%, the Finance Lease Arrangements constitute discloseable transactions of the Company and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expression shall have the following meanings:

“Board”	the board of Directors
“Company”	Jiangnan Group Limited, a company incorporated in the Cayman Islands, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1366)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Finance Lease Arrangements”	the First Finance Lease Arrangement and the Second Finance Lease Arrangement

“First Finance Lease Arrangement”	the finance leaseback arrangement contemplated under the First Transfer Agreement and the First Leaseback Agreement as a whole
“First Leaseback Agreement”	the leaseback agreement entered into between Wuxi Jiangnan and Suyin Financial on 7 January 2022, pursuant to which the First Leased Assets shall be leased by Suyin Financial to Wuxi Jiangnan
“First Leased Assets”	certain machineries and equipment of a power cable production line of Wuxi Jiangnan subject to the First Finance Lease Arrangement
“First Transfer Agreement”	the transfer agreement entered into between Wuxi Jiangnan and Suyin Financial on 7 January 2022, pursuant to which the First Leased Assets shall be transferred from Wuxi Jiangnan to Suyin Financial
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Leaseback Agreements”	the First Leaseback Agreement and the Second Leaseback Agreement
“Leased Assets”	the First Leased Assets and the Second Leased Assets
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Mr. Chu”	Mr. Chu Hui, the chairman of the Board, the chief executive officer of the Company, an executive Director and a controlling shareholder (as defined in the Listing Rules) of the Company
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement

“RMB”	Renminbi, the lawful currency of the PRC
“Second Finance Lease Arrangement”	the finance leaseback arrangement contemplated under the Second Transfer Agreement and the Second Leaseback Agreement as a whole
“Second Leaseback Agreement”	the leaseback agreement entered into between Wuxi Jiangnan and Suyin Financial on 7 January 2022, pursuant to which the Second Leased Assets shall be leased by Suyin Financial to Wuxi Jiangnan
“Second Leased Assets”	certain machineries and equipment of a power cable production line of Wuxi Jiangnan subject to the Second Finance Lease Arrangement
“Second Transfer Agreement”	the transfer agreement entered into between Wuxi Jiangnan and Suyin Financial on 7 January 2022, pursuant to which the Second Leased Assets shall be transferred from Wuxi Jiangnan to Suyin Financial
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suyin Financial”	Suyin Financial Leasing Co., Ltd.* (蘇銀金融租賃股份有限公司), a company established in the PRC with limited liability
“Transfer Agreements”	the First Transfer Agreement and the Second Transfer Agreement
“Wuxi Jiangnan”	Wuxi Jiangnan Cable Co., Ltd.* (無錫江南電纜有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Wuxi New Suneng”	Wuxi New Suneng Electric Power Science & Technology Co., Ltd.* (無錫新蘇能電力科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Yixing Jinxiao”

Yixing Jinxiao Tongye Co., Ltd.* (宜興市金嘯銅業有限公司), a supplier of the Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (1) Yixing Jinxiao is engaged in trading in and processing of copper and aluminium in the PRC and is owned as to 90% and 10% by Yang Hongjun and Mei Zhidong respectively; and (2) Yixing Jinxiao and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company as at the date of this announcement.

“%”

percent

On behalf of the Board
Jiangnan Group Limited
Chu Hui
Chairman & Chief Executive Officer

Hong Kong, 7 January 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chu Hui, Ms. Xia Yafang and Mr. Jiang Yongwei; and three independent non-executive Directors, namely Mr. He Zhisong, Mr. Yang Rongkai and Mr. Fok Ming Fuk.

* *For identification purposes only*