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**POWER HERITAGE GROUP
LIMITED**

*(Incorporated in the British Virgin Islands with
limited liability)*

JIANGNAN GROUP LIMITED
江南集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 1366)

JOINT ANNOUNCEMENT

- (1) PROPOSAL FOR THE PRIVATISATION OF
JIANGNAN GROUP LIMITED
BY POWER HERITAGE GROUP LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)**
- (2) PROPOSED WITHDRAWAL OF LISTING OF
JIANGNAN GROUP LIMITED**
- (3) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT**
- (4) ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE**
- (5) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER
AND**
- (6) RESUMPTION OF TRADING IN THE SHARES**

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



SCHEME OF ARRANGEMENT

The respective directors of the Offeror and the Company jointly announce that on 16 February 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act.

The Shares in which the Offeror and the Rollover Shareholders are interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to approximately 87.76% and 12.24% by the Offeror and the Rollover Shareholders, respectively, and the listing of the Shares will be withdrawn from the Stock Exchange.

The Scheme will provide that the Scheme Shares will be cancelled in exchange for HK\$0.40 in cash for each Scheme Share. Under the Scheme, the total consideration payable for cancellation of the Scheme Shares will be paid by the Offeror.

If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such net dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced. The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date. As at the Announcement Date, the Company has no declared but unpaid dividends.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

The Cancellation Price of HK\$0.40 represents:

- a premium of approximately 12.68% over the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 83.49% over the closing price of HK\$0.218 per Share as quoted on the Stock Exchange on the Last Full Trading Day;
- a premium of approximately 101.44% over the average closing price of approximately HK\$0.199 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

- a premium of approximately 99.55% over the average closing price of approximately HK\$0.200 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 82.65% over the average closing price of approximately HK\$0.219 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 77.48% over the average closing price of approximately HK\$0.225 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a discount of approximately 66.13% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.18 as at 31 December 2021 (based on an exchange rate of RMB1.0 = HK\$1.22, the central parity rate published by the People’s Bank of China on its website as at 31 December 2021 for illustrative purposes); and
- a discount of approximately 65.44% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.16 as at 30 June 2022 (based on an exchange rate of RMB1.0 = HK\$1.17, the central parity rate published by the People’s Bank of China on its website as at 30 June 2022 for illustrative purposes).

The implementation of the Proposal and the Scheme will be conditional upon the fulfilment or waiver, as applicable, of all the Conditions as described in the section headed “Conditions of the Proposal and the Scheme” below. All of the Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

SHAREHOLDING STRUCTURE AND THE SCHEME SHARES

As at the Announcement Date, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares, and the Company has 6,118,299,000 Shares in issue. As at the Announcement Date, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code), other than 6,118,299,000 Shares in issue.

As at the Announcement Date, the Offeror and the Offeror Concert Parties hold in aggregate 2,932,929,000 Shares, representing approximately 47.94% of the issued share capital of the Company.

As at the Announcement Date, the Scheme Shares, comprising 3,228,553,000 Shares, represent approximately 52.77% of the issued share capital of the Company.

SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT

The Offeror would like to allow the Rollover Shareholders to retain their shareholding in the Company after the Scheme becomes effective. As at the Announcement Date, the Rollover Shareholders hold in aggregate 749,060,000 Shares, representing approximately 12.24% of the issued share capital of the Company.

The Offeror is of the view that it is important for the Company to retain the Rollover Shareholders as Shareholders after the completion of the Scheme so that the Rollover Shareholders can continue to contribute and share their resources, business network and technology with the Company's business operations, which will enhance the Company's competitiveness in the market and benefit the Group's long-term sustainable development and growth.

The Offeror and the Rollover Shareholders have entered into the Rollover Agreement on 20 February 2023, pursuant to which: (a) subject to Condition (f) in the section headed "Conditions of the Proposal and the Scheme" and the Scheme becoming effective, the Rollover Shareholders will remain as Shareholders after the Scheme becomes effective and none of the Shares held by the Rollover Shareholders will constitute Scheme Shares or will be voted on the Scheme at the Court Meeting or the Rollover Arrangement at the extraordinary general meeting of the Company; (b) the Rollover Shareholders have each undertaken, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws and regulations, to exercise, or, as the case may be, to procure the exercise of the voting rights in respect of the Shares owned by them directly on resolutions in relation to the implementation of the Scheme in accordance with the Offeror's directions, and in the absence of any such directions, to vote in favour of all resolutions which are necessary to implement the Scheme proposed at an extraordinary general meeting of the Company, and that each shall be bound by, and take all actions necessary to implement the Scheme; and (c) the Rollover Shareholders have each further undertaken that they shall not, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by them, nor will they accept any other offer in respect of all or any of such Shares.

The Rollover Agreement will be terminated if the Scheme lapses or is withdrawn, terminated, rescinded by the Offeror or is finally dismissed, refused or rejected by the Grand Court.

FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$0.40 per Scheme Share and 3,228,553,000 Scheme Shares in issue as at the Announcement Date, the Scheme Shares are in aggregate valued at approximately HK\$1,291.4 million. The Offeror intends to finance the entire cash amount required for the Proposal from external debt financing.

CICC, the financial adviser to the Offeror in connection with the Proposal, is satisfied that sufficient financial resources are available to the Offeror for discharging its payment obligations in respect of the cash consideration payable under the Proposal.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises all the independent non-executive directors of the Company, namely Mr. HE Zhisong, Mr. YANG Rongkai and Mr. FOK Ming Fuk, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable and as to voting at the Court Meeting and the extraordinary general meeting of the Company.

INDEPENDENT FINANCIAL ADVISER

The Board, with the approval of the Independent Board Committee, has appointed Opus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement pursuant to Rule 2.1 of the Takeovers Code.

DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, among others: (i) further details of the Proposal, the Scheme and the Rollover Arrangement; (ii) the expected timetable in relation to the Proposal and the Scheme; (iii) an explanatory memorandum as required under the Companies Act and the rules of the Grand Court; (iv) information regarding the Company; (v) recommendations from the Independent Board Committee with respect to the Proposal, the Scheme and the Rollover Arrangement, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee; and (vi) a notice of the Court Meeting and a notice of an extraordinary general meeting of the Company, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Act, the Grand Court and other applicable laws and regulations.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with the Offeror in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

TRADING HALT AND RESUMPTION

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 10:52 a.m. on 16 February 2023 pending the release of this announcement.

An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 22 February 2023.

WARNINGS:

Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived (including the approval of the Rollover Arrangement as a special deal under Rule 25 of the Takeovers Code), as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

This announcement is not intended to and does not constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law. The Proposal will be made solely through the Scheme Document, which will contain the full terms and conditions of the Proposal, including details of how to vote in favour of the Proposal. Any acceptance, rejection or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not so resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions. Further details in relation to overseas shareholders will be contained in the Scheme Document.

NOTICE TO US INVESTORS

The Proposal is being made to cancel the securities of a company incorporated in the Cayman Islands by means of a scheme of arrangement provided for under the laws of the Cayman Islands and is subject to Hong Kong disclosure requirements which are different from those of the United States.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement which differ from the disclosure and procedural requirements applicable under the US federal securities laws.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of his Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him.

It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

INTRODUCTION

On 16 February 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the Scheme Shares will, on the effective date of the Scheme, be cancelled and extinguished. Contemporaneously with such cancellation and extinguishment, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

The Shares in which the Offeror and the Rollover Shareholders are interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to approximately 87.76% and 12.24% by the Offeror and the Rollover Shareholders, respectively, and the listing of the Shares will be withdrawn from the Stock Exchange.

TERMS OF THE PROPOSAL

The Scheme

The Scheme will provide that the Scheme Shares will be cancelled in exchange for HK\$0.40 in cash for each Scheme Share. Under the Scheme, the total consideration payable for cancellation of the Scheme Shares will be paid by the Offeror.

If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such net dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced (and the Cancellation Price shall be reduced accordingly). The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date. As at the Announcement Date, the Company has no declared but unpaid dividends.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

The Cancellation Price of HK\$0.40 represents:

- a premium of approximately 12.68% over the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 83.49% over the closing price of HK\$0.218 per Share as quoted on the Stock Exchange on the Last Full Trading Day;
- a premium of approximately 101.44% over the average closing price of approximately HK\$0.199 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 99.55% over the average closing price of approximately HK\$0.200 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 82.65% over the average closing price of approximately HK\$0.219 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 77.48% over the average closing price of approximately HK\$0.225 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a discount of approximately 66.13% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.18 as at 31 December 2021 (based on an exchange rate of RMB1.0 = HK\$1.22, the central parity rate published by the People's Bank of China on its website as at 31 December 2021 for illustrative purposes); and
- a discount of approximately 65.44% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.16 as at 30 June 2022 (based on an exchange rate of RMB1.0 = HK\$1.17, the central parity rate published by the People's Bank of China on its website as at 30 June 2022 for illustrative purposes).

The Cancellation Price has been determined on an arm's length commercial basis after taking into account the prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

Highest and lowest prices

During the six-month period immediately up to and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.355 on 16 February 2023 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.185 on 5 January 2023, 26 January 2023 and 3 February 2023.

Total Consideration and Financial Resources

On the basis of the Cancellation Price of HK\$0.40 per Scheme Share and 3,228,553,000 Scheme Shares in issue as at the Announcement Date, the Scheme Shares are in aggregate valued at approximately HK\$1,291.4 million.

The Offeror intends to finance the entire cash amount required for the Proposal from external debt financing.

CICC, the financial adviser to the Offeror in connection with the Proposal, is satisfied that sufficient financial resources are available to the Offeror for discharging its payment obligations in respect of the cash consideration payable under the Proposal.

CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Disinterested Shareholders;
- (c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at an extraordinary general meeting of the Company to (i) approve and give effect to any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares; and (ii) contemporaneously therewith maintain the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation

of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Offeror;

- (d) the Grand Court's sanction of the Scheme (with or without modifications) and, to the extent necessary, its confirmation of any reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to any reduction of the issued share capital of the Company;
- (f) (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the extraordinary general meeting of the Company to approve the Rollover Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement;
- (g) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;
- (h) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (i) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company having been obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group; and
- (j) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be

outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme.

The Offeror reserves the right to waive conditions (g), (h), (i) and (j) either in whole or in part, either generally or in respect of any particular matter. Conditions (a) to (f) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the conditions.

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

In respect of Condition (g), as at the Announcement Date, other than those set out in Conditions (a) to (f) (inclusive), the Offeror and the Company are not aware of any necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals required for the Proposal. As at the Announcement Date, the Offeror and the Company are not aware of any circumstances which may result in Conditions (i) and (j) not being satisfied.

Warning: Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived (including the approval of the Rollover Arrangement as a special deal under Rule 25 of the Takeovers Code), as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Announcement Date, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares, and the Company has 6,118,299,000 Shares in issue.

As at the Announcement Date, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code), other than 6,118,299,000 Shares in issue.

As at the Announcement Date, the Offeror and the Offeror Concert Parties hold in aggregate 2,932,929,000 Shares, representing approximately 47.94% of the issued share capital of the Company. As at the Announcement Date, the Scheme Shares, comprising 3,228,553,000 Shares, represent approximately 52.77% of the issued share capital of the Company.

The table below sets out the shareholding structure of the Company as at the Announcement Date and immediately upon completion of the Proposal (assuming that there is no change in the shareholding structure of the Company before the effective date of the Scheme):

	As at the Announcement Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate % of total issue of share capital ⁽¹⁰⁾	Number of Shares ⁽¹¹⁾	Approximate % of total issue of share capital ⁽¹⁰⁾
Shareholders				
Offeror				
Power Heritage Group Limited ⁽¹⁾	2,140,686,000	34.99	5,369,239,000	87.76
Offeror Concert Parties				
Mr. RUI Yiping ⁽²⁾	150,000,000	2.45	150,000,000	2.45
KDG Investment ⁽³⁾	299,530,000	4.90	299,530,000	4.90
Nexus NS ⁽⁴⁾	299,530,000	4.90	299,530,000	4.90
Ms. XIA Yafang ⁽⁵⁾	3,168,000	0.05	—	—
Mr. JIANG Yongwei ⁽⁶⁾	1,500,000	0.02	—	—
Mr. CHAN Man Kiu ⁽⁷⁾	38,515,000	0.63	—	—
Aggregate number of Shares of the Offeror and the Offeror Concert Parties⁽⁸⁾	<u>2,932,929,000</u>	<u>47.94</u> ⁽¹²⁾	<u>6,118,299,000</u>	<u>100.00</u> ⁽¹²⁾
Disinterested Shareholders				
Trustee ⁽⁹⁾	48,135,000	0.79	—	—
Other Disinterested Shareholders	<u>3,137,235,000</u>	<u>51.28</u>	—	—
Aggregate number of Shares of Disinterested Shareholders	<u>3,185,370,000</u>	<u>52.06</u> ⁽¹²⁾	—	—
Total number of Shares in issue	<u>6,118,299,000</u>	<u>100.00</u> ⁽¹²⁾	<u>6,118,299,000</u>	<u>100.00</u> ⁽¹²⁾
Total number of Scheme Shares	<u>3,228,553,000</u> ⁽¹³⁾	<u>52.77</u> ⁽¹²⁾	—	—

Notes:

1. Power Heritage Group Limited is indirectly wholly-owned by Mr. CHU Hui, the chairman, the chief executive officer and an executive director of the Company. Mr. CHU Hui is presumed to be acting in concert with the Offeror under class (1) of the definition of “acting in concert” under the Takeovers Code.
2. Mr. RUI Yiping is the brother-in-law of Mr. CHU Hui, the sole director of the Offeror, the chairman, the chief executive officer and an executive director of the Company. As a Rollover Shareholder, the Shares held by Mr. RUI Yiping will not form part of the Scheme Shares and Mr. RUI Yiping will not be able to vote on the Scheme at the Court Meeting nor the Rollover Arrangement at the extraordinary general meeting of the Company.
3. As a Rollover Shareholder, KDG Investment’s Shares will not form part of the Scheme Shares and KDG Investments will not be able to vote on the Scheme at the Court Meeting nor the Rollover Arrangement at the extraordinary general meeting of the Company.
4. As a Rollover Shareholder, Nexus NS’ Shares will not form part of the Scheme Shares and Nexus NS will not be able to vote on the Scheme at the Court Meeting nor the Rollover Arrangement at the extraordinary general meeting of the Company.
5. Ms. XIA Yafang is the executive vice-president and an executive director of the Company. As at the Announcement Date, Ms. XIA Yafang holds 1,668,000 Shares and her spouse holds 1,500,000 Shares, and therefore Ms. XIA Yafang is deemed to be interested in an aggregate of 3,168,000 Shares. Ms. XIA Yafang is presumed to be acting in concert with the Offeror under class (6) of the definition of “acting in concert” under the Takeovers Code. The Shares held by Ms. XIA Yafang and her spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Ms. XIA Yafang and her spouse will not be able to vote on the Rollover Arrangement at the extraordinary general meeting of the Company, and the vote of Ms. XIA Yafang and her spouse will not be counted as a vote of a Disinterested Shareholder in determining whether the requirements under Condition (b) under the section headed “Conditions of the Proposal and the Scheme” (as required under Rule 2.10 of the Takeovers Code) are satisfied.
6. Mr. JIANG Yongwei is a vice president and an executive director of the Company. The spouse of Mr. JIANG Yongwei is a cousin of the spouse of Mr. CHU Hui. Mr. JIANG Yongwei is presumed to be acting in concert with the Offeror under class (6) of the definition of “acting in concert” under the Takeovers Code. The Shares held by Mr. JIANG Yongwei will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Mr. JIANG Yongwei will not be able to vote on the Rollover Arrangement at the extraordinary general meeting of the Company, and the vote of Mr. JIANG Yongwei will not be counted as a vote of a Disinterested Shareholder in determining whether the requirements under Condition (b) under the section headed “Conditions of the Proposal and the Scheme” (as required under Rule 2.10 of the Takeovers Code) are satisfied.
7. Mr. CHAN Man Kiu is the chief financial officer and the company secretary of the Company. As at the Announcement Date, Mr. CHAN Man Kiu holds 30,983,000 Shares and his spouse holds 7,532,000 Shares, and therefore Mr. CHAN is deemed to be interested in an aggregate of 38,515,000 Shares. Mr. CHAN Man Kiu is acting in concert with the Offeror due to his involvement in the discussions relating to the Proposal. The Shares held by Mr. CHAN Man Kiu and his spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Mr. CHAN Man Kiu and his spouse will not be able to vote on the Rollover Arrangement at the extraordinary general meeting of the

Company, and the vote of Mr. CHAN Man Kiu and his spouse will not be counted as a vote of a Disinterested Shareholder in determining whether the requirements under Condition (b) under the section headed “Conditions of the Proposal and the Scheme” (as required under Rule 2.10 of the Takeovers Code) are satisfied.

8. CICC is the financial adviser to the Offeror in connection with the Proposal. Accordingly, CICC and members of the CICC group are presumed to be acting in concert with the Offeror in respect of shareholdings of the CICC group in the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code (except in respect of the Shares held by members of the CICC group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code and excluding the Shares held on behalf of non-discretionary investment clients). Exempt principal traders which are connected for the sole reason that they are under the same control as CICC are not presumed to be acting in concert with the Offeror. However:
 - a. Shares held by members of the CICC group acting in the capacity of exempt principal traders will not be voted at the Court Meeting and the extraordinary general meeting of the Company unless the Executive allows such Shares to be so voted; and
 - b. Shares held by members of the CICC group acting in the capacity of exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the Court Meeting and the extraordinary general meeting of the Company if: (i) such member of the CICC group holds the relevant Shares as a simple custodian for and on behalf of non-discretionary clients; (ii) there are contractual arrangements in place between such member of the CICC group and such non-discretionary client that strictly prohibit such member of the CICC group from exercising any voting discretion over such Shares; (iii) all voting instructions shall originate from such non-discretionary client only (if no instructions are given, then no votes shall be cast for such Shares held by such member of the CICC group); and (iv) such non-discretionary client is not a concert party of the Offeror.

Details of holdings, borrowings or lendings of, and dealings in, the Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company held by or entered into by members of the CICC group (except in respect of Shares held by exempt principal traders or exempt fund managers or Shares held on behalf of non-discretionary investment clients of the CICC group), if any, will be obtained as soon as possible after the date of this announcement in accordance with Note 1 to Rule 3.5 of the Takeovers Code. A further announcement will be made by the Offeror and the Company if the holdings of, borrowings, lendings, or dealings of the members of the CICC group are significant and in any event, such information will be disclosed in the Scheme Document. The statements in this announcement as to the holdings, borrowings or lendings of, or dealings in, the Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by persons acting in concert with the Offeror are subject to the holdings, borrowings, lendings, or dealings (if any) of members of the CICC group. Any dealings in the relevant securities of the Company by the CICC group (excluding dealings by the CICC group members who are exempt principal traders or exempt fund managers or dealings by the CICC group members for the account of non-discretionary investment clients of the CICC group) from 21 August 2022 (being six months prior to the Announcement Date) to the latest practicable date prior to the despatch of the Scheme Document will be disclosed in the Scheme Document.

9. As at the Announcement Date, the Trustee holds 48,135,000 Trustee Held Shares to be used to satisfy future grants of Share Awards. Further details are set out in the section headed “Share Awards” below. Pursuant to the rules of the Share Award Scheme, the Trustee shall not exercise the voting rights attached to the Shares held by it. Accordingly, such 48,135,000 Shares will not be voted on the Scheme at the Court Meeting nor the Rollover Arrangement at the extraordinary general meeting of the Company notwithstanding that such Shares form part of the Scheme Shares.
10. All percentages in the above table are approximations and rounded to the nearest 2 decimal places.
11. On the assumption that there is no other change in the shareholding of the Company before completion of the Proposal. Under the Scheme, the Scheme Shares will be cancelled and extinguished, and contemporaneously with such cancellation and extinguishment, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the same number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company’s books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full the new Shares so issued to the Offeror.
12. The aggregate percentages may not add up due to rounding of the percentages to 2 decimal places.
13. Scheme Shares are the Shares held by the Shareholders, other than those held by the Offeror and the Rollover Shareholders. For the avoidance of doubt, the Shares held by (i) Ms. XIA Yafang and her spouse; (ii) Mr. JIANG Yongwei; and (iii) Mr. CHAN Man Kiu and his spouse, will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

Save as disclosed below and save for the dealings in the Shares by CICC which are conducted on a non-discretionary basis for and on behalf of its clients, none of the Offeror and the Offeror Concert Parties has dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the six months prior to the Announcement Date:

- (a) the table below shows the dealings for value by Mr. CHAN Man Kiu during the six months prior to the Announcement Date:

Date of Transaction

<i>From 21 August 2022 to the Announcement Date on a non-aggregated basis</i>	Number of Shares involved		Price paid for each Share (HK\$)	
	Buy	Sell	Buy Price	Sell Price
1 November 2022	2,000	—	0.202	—
2 November 2022	—	2,000	—	0.225

(b) the table below shows the dealings for value by the spouse of Mr. CHAN Man Kiu during the six months prior to the Announcement Date:

Date of Transaction		Number of Shares		Price paid for each Share (HK\$)			
<i>From 21 August 2022 to the Announcement</i>							
<i>Date aggregated on a weekly basis</i>							
<i>(where applicable)</i>							
Start	End	Buy	Sell	Highest Buy Price (where applicable)	Lowest Buy Price (where applicable)	Highest Sell Price	Low Sell Price
21 September 2022	23 September 2022	84,000	—	0.238	0.221	—	—
26 September 2022	29 September 2022	86,000	—	0.240	0.221	—	—
14 October 2022	14 October 2022	8,000	—	0.230	0.230	—	—
25 October 2022	25 October 2022	98,000	—	0.236	0.204	—	—
31 October 2022	1 November 2022	124,000	—	0.210	0.210	—	—

SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT

The Offeror would like to allow the Rollover Shareholders to retain their shareholding in the Company after the Scheme becomes effective. As at the Announcement Date, the Rollover Shareholders hold in aggregate 749,060,000 Shares, representing approximately 12.24% of the issued share capital of the Company.

Rollover Agreement

The Offeror and the Rollover Shareholders have entered into the Rollover Agreement on 20 February 2023, pursuant to which: (a) subject to Condition (f) in the section headed “Conditions of the Proposal and the Scheme” and the Scheme becoming effective, the Rollover Shareholders will remain as Shareholders after the Scheme becomes effective and none of the Shares held by the Rollover Shareholders will constitute Scheme Shares or will be voted on the Scheme at the Court Meeting or the Rollover Arrangement at the extraordinary general meeting of the Company; (b) the Rollover Shareholders have each undertaken, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws and regulations, to exercise, or, as the case may be, to procure the exercise of the voting rights in respect of the Shares owned by them directly on resolutions in relation to the implementation of the Scheme in accordance with the Offeror’s directions, and in the absence of any such directions, to vote in favour of all resolutions which are necessary to implement the Scheme proposed at an extraordinary general meeting of the Company, and that each shall be bound by, and take all actions necessary to implement the Scheme; and (c) the Rollover Shareholders have each further undertaken that they shall not, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by them, nor will they accept any other offer in respect of all or any of such Shares.

The Rollover Agreement will be terminated if the Scheme lapses or is withdrawn, terminated, rescinded by the Offeror or is finally dismissed, refused or rejected by the Grand Court.

Information on the Rollover Shareholder

As at the Announcement Date, Mr. RUI Yiping, the brother-in-law of Mr. CHU Hui, the sole director of the Offeror, the chairman, the chief executive officer and an executive director of the Company, holds 150,000,000 Shares, representing approximately 2.45% of the issued share capital of the Company. Mr. RUI Yiping was the general manager (marketing and sales) of the Company from 25 February 2012 to 31 December 2014 and an executive director of the Company responsible for the sales operation from 20 April 2012 to 8 July 2014. Mr. RUI Yiping continues to serve as a sales manager of the Company to date. He has over 20 years of experience in the wire and cable industry in the PRC. Mr. RUI Yiping's extensive knowledge, understanding and experience of the Group and the industry, and his long-established and productive relationships with suppliers, local authorities and employees of the Group, makes him an invaluable member of the Group who will make an important contribution to the long-term development and expansion of the Group.

As at the Announcement Date, KDG Investment holds 299,530,000 Shares, representing approximately 4.90% of the issued share capital of the Company. The sole owner of KDG Investment, being Mr. JIANG Jianliang, is a director and a key member of management of Kai Da Cable (HK) Company Limited and its wholly-owned subsidiary, 江蘇凱達電纜有限公司. Kai Da Cable (HK) Company Limited is a wholly owned subsidiary of Kai Da Investments Limited, which in turn is an indirect wholly-owned subsidiary of the Company. Kai Da Investments Limited and its subsidiaries are principally engaged in manufacture and trading of wires and cables, and were acquired by the Group from KDG Investment in April 2015.

As at the Announcement Date, Nexus NS holds 299,530,000 Shares, representing approximately 4.90% of the issued share capital of the Company. The 51% owner of Nexus NS, Mr. LIU Yongwei, is a director and key member of management of New Sun Cable (HK) Company Limited and its wholly-owned subsidiary, 無錫市新陽光電纜有限公司. The 49% owner of Nexus NS, Ms. HE Yunfang, the wife of Mr. LIU Yongwei, is also a key member of management of 無錫市新陽光電纜有限公司. New Sun Cable (HK) Company Limited is a wholly owned subsidiary of New Sun Investments Limited, which in turn is an indirect wholly-owned subsidiary of the Company. New Sun Investments Limited and its subsidiaries are principally engaged in manufacture and trading of wires, cables and related raw materials, including special products such as flexible fireproof cables 10kv cross-lined polyethylene insulation materials and copper belts for cable shielding, and were acquired by the Group from Nexus NS in April 2015.

The Offeror is of the view that it is important for the Company to retain the Rollover Shareholders as Shareholders after the completion of the Scheme so that the Rollover Shareholders can continue to contribute and share their resources, business network and technology with the Company's business operations, which will enhance the Company's competitiveness in the market and benefit the Group's long-term sustainable development and growth.

Special Deal and Disinterested Shareholder Approval

As the Rollover Arrangement is not offered to all Shareholders, the Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror will (before the despatch of the Scheme Document) make an application for consent from the Executive to the Rollover Arrangement conditional on: (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the extraordinary general meeting of the Company to approve the Rollover Arrangement.

Accordingly, as set out in Condition (f) in the section headed "Conditions of the Proposal and the Scheme", the Proposal and the Scheme are subject to: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the extraordinary general meeting of the Company to approve the Rollover Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement.

The Rollover Shareholders are considered to be acting in concert with the Offeror as a result of the Rollover Arrangement, and are therefore not Disinterested Shareholders and will not be voting on the Rollover Arrangement at the extraordinary general meeting of the Company.

SHARE AWARDS

As at the Announcement Date, the Trustee holds 48,135,000 Trustee Held Shares to be used to satisfy future grants of Share Awards, none of which has been awarded or granted under the Share Award Scheme.

All of the Trustee Held Shares shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror shall pay the aggregate Cancellation Price for the Trustee Held Shares to the Trustee, which will then pay such amount to the Company. The Trustee is not acting in concert with the Offeror, and therefore the Trustee Held Shares are Shares held by a Disinterested Shareholder and are entitled to be voted at the Court Meeting and the

extraordinary general meeting of the Company. However, pursuant to the rules of the Share Award Scheme, the Trustee shall not exercise the voting rights attached to the Shares held by it. Accordingly, such 48,135,000 Shares will not be voted on the Scheme at the Court Meeting nor the Rollover Arrangement at the extraordinary general meeting of the Company notwithstanding that such Shares form part of the Scheme Shares.

During the offer period, the Trustee will not further acquire Shares on market, and the Company does not intend to grant any Share Awards.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises all the independent non-executive directors of the Company, namely Mr. HE Zhisong, Mr. YANG Rongkai and Mr. FOK Ming Fuk, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable and as to voting at the Court Meeting and the extraordinary general meeting of the Company.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all the non-executive directors of the Company who have no direct or indirect interest in the Proposal.

INDEPENDENT FINANCIAL ADVISER

The Board, with the approval of the Independent Board Committee, has appointed Opus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement pursuant to Rule 2.1 of the Takeovers Code.

REASONS FOR AND BENEFITS OF THE PROPOSAL

Benefits of the Proposal to the Company:

The cost and expenses outweigh the benefit from maintaining the listing status of the Company

Due to the low liquidity and the relative underperformance in the trading of the Shares, and a high compliance cost for maintaining listing status, the Company's current listing platform no longer sufficiently serves as a source of funding for its long-term growth, and the Company's ability to raise funds in the equity capital markets for future development and growth is limited.

Following the implementation of the Proposal, the Company is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status and compliance with regulatory requirements.

The unsatisfactory share performance undermines the Company's business

Over a long period of time, the Company's share price performance has not been satisfactory. As a leading electrical wires and power cables manufacturer in the PRC, the Company values its reputation. The Offeror considers that the depressed share price has had an adverse impact on the Company's reputation with customers and investors, and therefore on its business, and also on employee morale. It is believed that the implementation of the Proposal will eliminate this adverse impact.

Benefits of the Proposal to the Scheme Shareholders:

An opportunity to exit investments with low trading liquidity

The liquidity of Shares has been at a low level over a long period of time. The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 1.04 million Shares per day, representing only approximately 0.02% of the issued Shares as at the Announcement Date. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the Company's share price occurs.

Cancellation Price represents a compelling exit premium

The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium over the prevailing market price without having to suffer any illiquidity discount. The Cancellation Price represents a premium of approximately 83.49% and 101.44% over the closing price of HK\$0.218 on the Last Full Trading Day and the average closing price of HK\$0.199 for the 30 trading days up to and including the Last Trading Day, respectively. The Scheme also affords the Scheme Shareholders the opportunity, if they so wish, to invest the monies received from realizing their investments in the Company in alternative investments with higher liquidity.

INFORMATION ON THE COMPANY

The Company is an exempted company incorporated in the Cayman Islands with limited liability whose Shares have been listed on the Main Board of the Stock Exchange since 20 April 2012. The Group is principally engaged in the manufacture of wires and cables for power transmission, distribution systems and electrical equipment in the PRC.

The audited consolidated financial information of the Company for each of the two years ended 31 December 2020 and 31 December 2021 and the unaudited consolidated financial information of the Company for the six months ended 30 June 2022 prepared in accordance with the Hong Kong Financial Reporting Standards is as follows:

	For the six months ended 30 June 2022 (RMB'000)	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2020 (RMB'000)
Profit (loss) before tax	182,757	(632,743)	218,919
Profit (loss) after tax	158,338	(540,456)	169,495

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability which is indirectly wholly-owned by Mr. CHU Hui, the controlling shareholder, the chairman, the chief executive officer and an executive director of the Company. The principal activity of the Offeror is investment holding.

INFORMATION ON THE OFFEROR CONCERT PARTIES

Mr. RUI Yiping is the brother-in-law of Mr. CHU Hui and a former executive director of the Company. Mr. RUI Yiping is a party acting in concert with the Offeror as a result of the Rollover Arrangement.

KDG Investment is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding. KDG Investment is a party acting in concert with the Offeror as a result of the Rollover Arrangement.

Nexus NS is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding. Nexus NS is a party acting in concert with the Offeror as a result of the Rollover Arrangement.

Ms. XIA Yafang is the executive vice-president and an executive director of the Company. Ms. XIA Yafang is presumed to be acting in concert with the Offeror under class (6) of the definition of “acting in concert” under the Takeovers Code. The Shares held by Ms. XIA Yafang and her spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

Mr. JIANG Yongwei is a vice president and an executive director of the Company. Mr. JIANG Yongwei is presumed to be acting in concert with the Offeror under class (6) of the definition of “acting in concert” under the Takeovers Code. The Shares held by Mr. JIANG Yongwei will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

Mr. CHAN Man Kiu is the chief financial officer and the company secretary of the Company. Mr. CHAN Man Kiu is a party acting in concert with the Offeror due to his involvement in the discussions relating to the Proposal. The Shares held by Mr. CHAN Man Kiu and his spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective.

The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, *inter alia*, further details of the Scheme.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

OVERSEAS SHAREHOLDERS

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers (including CICC) that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the despatch of the Scheme Document to overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of the Offeror or the Company regard as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror or the Company or their respective shareholders), the Scheme Document may not be despatched to such overseas Scheme Shareholders. For that purpose, the Company will apply for a waiver pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders.

TAXATION ADVICE

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal. It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company and CICC or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

SCHEME SHARES, COURT MEETING AND EXTRAORDINARY GENERAL MEETING OF THE COMPANY

As at the Announcement Date, the Offeror holds an aggregate of 2,140,686,000 Shares representing approximately 34.99% of the issued share capital of the Company, and the Rollover Shareholders hold an aggregate of 749,060,000 Shares representing approximately 12.24% of the issued share capital of the Company. Such Shares will not constitute Scheme Shares and will not be voted on the Scheme at the Court Meeting. The Offeror and each of the Rollover Shareholders will not be able to vote on the Rollover Arrangement at the extraordinary general meeting of the Company.

Ms. XIA Yafang is deemed to be interested in an aggregate of 3,168,000 Shares, representing approximately 0.05% of the issued share capital of the Company as at the Announcement Date. The Shares held by Ms. XIA Yafang and her spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Mr. JIANG Yongwei is interested in an aggregate of 1,500,000 Shares, representing approximately 0.02% of the issued share capital of the Company as at the Announcement Date. The Shares held by Mr. JIANG Yongwei will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Mr. CHAN Man Kiu is deemed to be interested in an aggregate of 38,515,000 Shares, representing approximately 0.63% of the issued share capital of the Company as at the Announcement Date. The Shares held by Mr. CHAN Man Kiu and his spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Each of: (i) Ms. XIA Yafang and her spouse; (ii) Mr. JIANG Yongwei; and (iii) Mr. CHAN Man Kiu and his spouse will not be able to vote on the Rollover Arrangement at the extraordinary general meeting of the Company, and each of their votes will not be counted as a vote of a Disinterested Shareholder in determining whether the requirements under Condition (b) under the section headed “Conditions of the Proposal and the Scheme” (as required under Rule 2.10 of the Takeovers Code) are satisfied.

The Offeror will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will comply with and be subject to the terms and conditions of the Scheme.

All Shareholders will be entitled to attend the extraordinary general meeting of the Company and vote on the special resolution to: (i) approve and give effect to any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares; and (ii) contemporaneously therewith maintain the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Offeror.

The Offeror and the Offeror Concert Parties have indicated that if the Scheme is approved at the Court Meeting, those Shares held by them will be voted in favour of the resolutions to be proposed at the extraordinary general meeting of the Company in relation to: (i) approve and give effect to any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares; and (ii) contemporaneously therewith maintain the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Offeror. Neither the Offeror nor the Offeror Concert Parties (including the Rollover Shareholders. Ms. XIA Yafang and her spouse, Mr. JIANG Yongwei, Mr. CHAN Man Kiu and his spouse) will vote on the Rollover Arrangement at the extraordinary general meeting of the Company.

COSTS OF THE SCHEME

If the Independent Board Committee or the Independent Financial Adviser to the Independent Board Committee does not recommend the Proposal or the Scheme, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

GENERAL

The Offeror has appointed CICC as its financial adviser in connection with the Proposal.

Mr. CHU Hui, an executive director of the Company, has a material interest in the Proposal and has not participated, and will abstain from voting, in any vote of the Board in relation to the Proposal and the Scheme.

The directors of the Company (excluding members of the Independent Board Committee whose views will be given after considering the advice of the Independent Financial Adviser to the Independent Board Committee) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

The Scheme Shareholders are reminded to carefully read the Scheme Document, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the letter from the Independent Board Committee to the Disinterested Shareholders contained therein before making a decision.

As at the Announcement Date:

- (a) save as disclosed in the section headed “Shareholding Structure of the Company” above, neither the Offeror nor any Offeror Concert Party owns, controls or has direction over any Shares;

- (b) there are no securities, warrants or options convertible into Shares held, controlled or directed by the Offeror or any Offeror Concert Party;
- (c) neither the Offeror nor any Offeror Concert Party has entered into any outstanding derivative in respect of the securities in the Company;
- (d) neither the Offeror nor any Offeror Concert Party has borrowed or lent any Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (e) no irrevocable commitment to vote for or against the Scheme has been received by the Offeror or the Offeror Concert Parties;
- (f) other than the Cancellation Price for each Scheme Share payable under the Scheme, the Offeror or the Offeror Concert Parties have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in connection with the Scheme Shares;
- (g) save for the Rollover Arrangement, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Offeror between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal;
- (h) save for the Rollover Arrangement, there are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Condition to the Proposal;
- (i) save for the Rollover Arrangement, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) either (a) the Offeror or the Offeror Concert Parties; or (b) the Company or the Company's subsidiaries or associated companies; and
- (j) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any of the Offeror Concert Parties on the one hand, and the Scheme Shareholders and persons acting in concert with any of them on the other hand.

DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, among others: (i) further details of the Proposal, the Scheme and the Rollover Arrangement; (ii) the expected timetable in relation to the Proposal and the Scheme; (iii) an explanatory memorandum as required under the Companies Act and the rules of the Grand Court; (iv) information regarding the Company; (v) recommendations from the Independent Board Committee with respect to the Proposal, the Scheme and the Rollover Arrangement, and the letter of advice from the Independent

Financial Adviser to the Independent Board Committee; and (vi) a notice of the Court Meeting and a notice of an extraordinary general meeting of the Company, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Act, the Grand Court and other applicable laws and regulations.

The Scheme Document will contain important information and the Scheme Shareholders are urged to carefully read the Scheme Document containing such disclosures before casting any vote at (or providing any proxy in respect of) the Court Meeting or the extraordinary general meeting of the Company.

DISCLOSURE OF DEALINGS

Associates of the Offeror and the Company (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of any of the Offeror and the Company) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code during the offer period.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This announcement includes certain “forward-looking statements”. These statements are based on the current expectations of the management of the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this announcement include statements about the expected effects on the Company of the Proposal, the expected timing and scope of the Proposal, and all other statements in this announcement other than historical facts.

Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates”, “envisages” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Proposal, as well as additional factors, such as general, social, economic and political conditions in the countries in which the Offeror and/or the Group operate or other countries which have an impact on the Offeror and/or the Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Offeror and/or the Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Offeror and/or Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Offeror and/or Group operate and regional or general changes in asset valuations. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

All written and oral forward-looking statements attributable to the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Announcement Date.

Shareholders will be informed of any new material information of the Company as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

TRADING HALT AND RESUMPTION

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 10:52 a.m. on 16 February 2023 pending the release of this announcement.

An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 22 February 2023.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement Date”	21 February 2023, being the date of this announcement
“associates”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of directors of the Company
“Cancellation Price”	the cancellation price of HK\$0.40 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Offeror in connection with the Proposal. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands
“Company”	Jiangnan Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 1366)
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as set out in the section headed “Conditions of the Proposal and the Scheme” of this announcement

“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Disinterested Shareholders”	Shareholders other than the Offeror and the Offeror Concert Parties. For the avoidance of doubt, Disinterested Shareholders include the Trustee, provided that the Trustee shall not exercise the voting rights attached to the Trustee Held Shares
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company established by the Board to make a recommendation to the Disinterested Shareholders in respect of the Proposal, the Scheme and the Rollover Arrangement
“Independent Financial Adviser”	Opus Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement
“KDG Investment”	KDG Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“Last Trading Day”	16 February 2023, being the last trading day prior to the issue of this announcement
“Last Full Trading Day”	15 February 2023, being the last full trading day prior to the issue of this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means 31 December 2023 or such other date as the Company and the Offeror may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive
“Nexus NS”	Nexus NS Limited, a company incorporated in the British Virgin Islands with limited liability
“Offeror”	Power Heritage Group Limited, a company incorporated in the British Virgin Islands with limited liability and which is indirectly wholly-owned by Mr. CHU Hui, the chairman, the chief executive officer and an executive director of the Company
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including Mr. CHU Hui, Ms. XIA Yafang and her spouse, Mr. JIANG Yongwei, Mr. CHAN Man Kiu and his spouse, and the Rollover Shareholders
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in this announcement and to be set out in the Scheme Document
“Record Date”	the appropriate record date to be announced for determining entitlements of the Scheme Shareholders under the Scheme
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Rollover Agreement”	the rollover agreement entered into between the Offeror and the Rollover Shareholders on 20 February 2023
“Rollover Arrangement”	the arrangement between the Offeror and the Rollover Shareholders under the Rollover Agreement

“Rollover Shareholders”	Mr. RUI Yiping, KDG Investment and Nexus NS
“Scheme”	a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of all the Scheme Shares and the maintenance of the share capital of the Company at the amount immediately before the cancellation of the Scheme Shares
“Scheme Document”	the composite scheme document of the Company and the Offeror to be issued to all Shareholders containing, <i>inter alia</i> , further details of the Proposal together with the additional information specified in the section of this announcement headed “Despatch of Scheme Document” above
“Scheme Share(s)”	Share(s) held by the Shareholders, other than those held by the Offeror and the Rollover Shareholders
“Scheme Shareholder(s)”	registered holder(s) of Scheme Shares as at the Record Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Share Awards”	the share awards granted or to be granted under the Share Award Scheme from time to time
“Share Award Scheme”	the share award scheme adopted by the Company on 9 September 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers in Hong Kong
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Trustee”	Bank of Communications Trustees Limited, a company incorporated in Hong Kong with limited liability, which holds Shares for the benefit of grantees of the Share Award Scheme

“Trustee Held Shares”	existing Shares held by the Trustee
“United States” or “US”	The United States of America, its territories and possessions, any State of the United States and the District of Columbia
“%”	per cent.

By order of the board of directors of
Power Heritage Group Limited
Chu Hui
Director

On behalf of the Board
Jiangnan Group Limited
Xia Yafang
*Executive Vice-president and Executive
Director*

Hong Kong, 21 February 2023

As at the Announcement Date, the sole director of the Offeror is Mr. CHU Hui.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement (other than those expressed by the directors of the Company (other than Mr. CHU Hui)) 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.

As at the Announcement Date, 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.

The directors of the Company jointly and severally accept full responsibility for accuracy of the information contained in this announcement relating to the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement by the directors of the Company 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.