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Zhejiang Cangnan Instrument Group Company Limited
浙江蒼南儀錶集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1743)

**REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2019,
REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2019,
FINAL FINANCIAL ACCOUNTS FOR THE YEAR 2019,
INDEPENDENT AUDITOR'S REPORT AND THE COMPANY'S AUDITED
FINANCIAL STATEMENTS FOR THE YEAR 2019,
PROFIT DISTRIBUTION PLAN FOR THE YEAR 2019,
FINANCIAL BUDGET REPORT FOR THE YEAR 2020,
ELECTION OF MEMBERS OF THE SECOND SESSION OF THE BOARD,
ELECTION OF MEMBERS OF THE SECOND SESSION OF
THE SUPERVISORY COMMITTEE,
REMUNERATION PLAN FOR THE SECOND SESSION OF
DIRECTORS AND SUPERVISORS,
RE-APPOINTMENT OF AUDITOR FOR THE YEAR 2020
AND GRANT OF AUTHORITY TO THE BOARD AND AUTHORISED
PERSON TO DETERMINE ITS REMUNERATION,
GENERAL MANDATE TO REPURCHASE THE COMPANY'S H SHARES,
GENERAL MANDATE TO ISSUE NEW SHARES,
PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES OF
GENERAL MEETING,
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND
THE RULES OF PROCEDURES OF SUPERVISORY COMMITTEE,
NOTICE OF AGM
AND
NOTICE OF H SHAREHOLDERS' CLASS MEETING**

A letter from the Board is set out on pages 3 to 25 of this circular.

A notice convening the AGM and H Shareholders' Class Meeting to be held at 9:00 a.m. on Wednesday, 10 June 2020 at Conference Room, 7/F, Building 1, Zhejiang Cangnan Instrument Group Company Limited, Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC has been despatched on 23 April 2020 and is set out on pages 46 to 51 of this circular. If you intend to attend the said meetings, please complete and return the appropriate reply slip in accordance with the instructions printed thereon as soon as possible and in any event by no later than 21 May 2020.

Shareholders who intend to appoint a proxy to attend the AGM and H Shareholders' Class Meeting shall complete and return the appropriate despatched form of proxy in accordance with the instructions printed thereon. The form of proxy must be signed by you or your attorney duly authorised in writing or, in case of a legal person, must either be executed under its seal or under the hand of its director or other attorney duly authorised to sign the same. If the form of proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.

In the case of joint holders of Shares, only the holder whose name stands first in the register of members of the Company shall alone be entitled to vote at the AGM and H Shareholders' Class Meeting, either in person or by proxy in respect of such Shares.

For holders of H Shares (as defined in this circular), please return the form of proxy together with any documents of authority to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and in any event not later than 24 hours before the time appointed for holding the said meetings (i.e. before 9:00 a.m. on Tuesday, 9 June 2020). For holders of Domestic Shares (as defined in this circular), please return the form of proxy together with any documents of authority to the Board Office of the Company in the PRC at Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC as soon as possible, and in any event not later than 24 hours before the time appointed for holding the said meetings (i.e. before 9:00 a.m. on Tuesday, 9 June 2020). Completion and return of the form of proxy will not preclude you from attending and voting at the said meetings, or any adjournment thereof should you so wish.

23 April 2020

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DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this circular:

| | |
|---------------------------------|---|
| “AGM” | the 2019 annual general meeting of the Company to be convened at 9:00 a.m. on Wednesday, 10 June 2020 |
| “Articles of Association” | the articles of association of the Company, as amended from time to time |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of directors of the Company |
| “China” or “PRC” | the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Company”, “We” or “us” | Zhejiang Cangnan Instrument Group Company Limited (浙江蒼南儀錶集團股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability and whose H Shares are listed and traded on the Stock Exchange |
| “Director(s)” | the directors of the Company |
| “Domestic Shares” | ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and fully paid up in RMB by PRC nationals and/or PRC incorporated entities |
| “Group” | the Company and its subsidiaries |
| “H Shares” | overseas-listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange |
| “H Shareholders’ Class Meeting” | the 2020 first H shareholders’ class meeting of the Company to be convened at 9:00 a.m. (or immediately after the conclusion or adjournment of the AGM and the 2020 first domestic shareholders’ class meeting of the Company) on Wednesday, 10 June 2020 |

DEFINITIONS

| | |
|--|--|
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Hong Kong dollars” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Latest Practicable Date” | 16 April 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange |
| “Reporting Period” | from 1 January 2019 to 31 December 2019 |
| “Repurchase Mandate” | the proposed general mandate to be granted to the Board to permit the repurchase of H Shares of the Company of up to a maximum of 10% of the total nominal value of the Company’s H shares on the date when relevant proposal is approved by the AGM |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Rules of Procedures of General Meeting” | the rules of procedures of general meeting of the Company (as amended from time to time) |
| “Rules of Procedures of Supervisory Committee” | the rules of procedures of supervisory committee of the Company (as amended from time to time) |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| “Shareholders” | the shareholders of the Company |
| “Shares” | H Shares and Domestic Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “Supervisory Committee” | the supervisory committee of the Company |
| “%” | per cent |

LETTER FROM THE BOARD



Zhejiang Cangnan Instrument Group Company Limited 浙江蒼南儀錶集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1743)

Executive Directors:

Mr. Hong Zuobin
Mr. Huang Youliang
Mr. Yin Xingjing
Mr. Zhang Shengyi
Ms. Lin Zichan
Mr. Lin Zhongzhu
Mr. Lin Jingdian

Non-executive Directors:

Mr. Ye Xiaosen
Mr. Hou Zukuan

Independent non-executive Directors:

Mr. Ng Jack Ho Wan
Mr. Wong Hak Kun
Mr. Wang Jingfu
Mr. Li Jing
Mr. Su Zhongdi

Registered office:

Industrial Demonstrative Park
Lingxi Town
Cangnan County
Zhejiang Province
PRC

Principal place of business in Hong Kong:

Room 1503, 15/F
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wan Chai
Hong Kong

23 April 2020

To the Shareholders

Dear Sir or Madam,

**REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2019,
REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2019,
FINAL FINANCIAL ACCOUNTS FOR THE YEAR 2019,
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NOTICE OF AGM
AND
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LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide you with relevant information to enable you to make an informed decision on whether to vote for or against the resolutions (among others) to be proposed at the AGM and H Shareholders' Class Meeting (if applicable) to be approved by way of ordinary and special resolutions as specified in the notice of AGM and notice of H Shareholders' Class Meeting (if applicable) dated 23 April 2020.

1. Report of the Board of Directors for the Year 2019

An ordinary resolution will be proposed at the AGM to approve the report of the Board Directors for the year 2019. The full text of the report of the Board of Directors for the year 2019 can be found in Appendix I to this circular.

2. Report of the Supervisory Committee for the Year 2019

An ordinary resolution will be proposed at the AGM to approve the report of the Supervisory Committee for the year 2019. The full text of the report of the Supervisory Committee for the year 2019 can be found in Appendix II to this circular.

3. Final Financial Accounts for the Year 2019

The Company's consolidated balance sheets as at 31 December 2019, consolidated statement of profit or loss for 2019, consolidated statement of cash flows for 2019, consolidated statement of changes in equity for 2019 and related notes to the consolidated financial statements have been audited by PricewaterhouseCoopers who has issued a standard unqualified audit report.

In 2019, the Company achieved an operating income of RMB484.260 million, representing a decrease of 23.2% from RMB630.323 million over the same period last year; and achieved a net profit attributable to shareholders of listed company of RMB136.532 million, representing a decrease of 38.0% from RMB220.192 million over the same period last year. The decline in the Company's performance was mainly due to the explosive growth of revenue in the natural gas industry due to the impact of coal-to-gas projects, which gradually entered into a stable period after adjustment. In addition, the high base in the same period last year caused a certain decline in industrial and commercial flows and business income in the current period, resulting in a decline in sales revenue and operating profit. However, the revenue of residential gas meters and nuclear-related products increased during the current period. The Company's overall asset quality was good, and its financial position was healthy.

LETTER FROM THE BOARD

1. 2019 financial performance (Unit: RMB'000)

| | 2019 | 2018 | Increase/ decrease this year compared to last year |
|---|-----------|-----------|--|
| Operating revenue (RMB'000) | 484,260 | 630,323 | -23.2% |
| Operating cost (RMB'000) | 146,379 | 169,019 | -13.4% |
| Net profit attributable to shareholders of listed company (RMB'000) | 136,532 | 220,192 | -38.0% |
| Net cash flows from operating activities (RMB'000) | 236,688 | 168,506 | 40.5% |
| Basic earnings per share (RMB/share) | 1.96 | 4.24 | -53.8% |
| Diluted earnings per share (RMB/share) | 1.96 | 4.24 | -53.8% |
| Total assets (RMB'000) | 1,391,224 | 1,150,714 | 20.9% |
| Net assets attributable to shareholders of listed company | 1,030,948 | 772,202 | 33.5% |

2. Key financial indicators in 2019 and analysis (Unit: RMB'000)

(1) Significant changes in assets

| | As at the end of 2019 | | As at the end of 2018 | | Increase/ decrease in proportion | Explanations on significant changes |
|--|-----------------------|----------------------------------|-----------------------|----------------------------------|--|--|
| | Amount | Proportion of total assets | Amount | Proportion of total assets | | |
| Cash and cash equivalents | 593,279 | 42.6% | 260,026 | 22.6% | 20.0% | Mainly attributable to the proceeds from successful listing |
| Trade receivables and other financial assets at amortised cost and prepayments | 524,124 | 37.7% | 643,741 | 55.9% | -18.2% | Mainly attributable to the decline in revenue and the acceleration of collection of long term receivables |

LETTER FROM THE BOARD

| | As at the end of 2019 | | As at the end of 2018 | | Increase/ decrease in proportion | Explanations on significant changes |
|---|-----------------------|----------------------------------|-----------------------|----------------------------------|--|--|
| | Amount | Proportion of total assets | Amount | Proportion of total assets | | |
| Inventories | 127,741 | 9.2% | 98,937 | 8.6% | 0.6% | Mainly attributable to the increase in inventories due to sales which were not up to expectations |
| Land use rights | 5,898 | 0.4% | 6,094 | 0.5% | -0.1% | |
| Property, plant and equipment | 71,567 | 5.1% | 63,978 | 5.6% | -0.5% | |
| Restricted cash | 45,147 | 3.2% | 51,661 | 4.5% | -1.3% | Mainly attribute to the decrease of notes payable and release and return of part due margin |
| Deferred income tax assets | 23,014 | 1.7% | 26,022 | 2.3% | -0.6% | Mainly attribute to the decrease in loss allowance in the current period and repayment of part of Shengyu's guarantee |
| Short-term borrowings | 66,650 | 4.8% | 69,650 | 6.1% | -1.3% | Mainly attributable to the decrease in loans from Bank of Ningbo |
| Provision (including warranties provision and provisions for other liabilities and charges) | 84,579 | 6.1% | 94,671 | 8.2% | -2.1% | Mainly attributable to the repayment of part of Shengyu's guarantees and the decline in income, resulting in a reduction of warranties provision |

LETTER FROM THE BOARD

(2) Analysis of changes in expenses

| | 2019 | 2018 | Year- on-year increase/ decrease | Explanations on significant changes |
|--|-------------|-------------|---|---|
| Sales expenses | 124,223 | 112,856 | 10.1% | Mainly attributable to the strengthening of sales support services to customers, and the continuous increase of investment in market services in the current period |
| Administrative expenses and net reversal of impairment losses/ impairment losses on financial assets | 75,235 | 62,899 | 19.6% | Mainly attributable to the increase of staff salary and bonus |
| Research and development expenses | 39,691 | 41,472 | -4.3% | Mainly attributable to the fact that some R&D projects are in the closing stage and the early design stage in this period |
| Financial (income)/ expenses | -8,962 | 2,310 | -488.0% | Mainly attributable to the increased income from buying wealth management products and the increased interest income due to increased deposits |

LETTER FROM THE BOARD

(3) Analysis of changes in cash flows

| Item | 2019 | 2018 | Year-on-year increase/ decrease |
|---|---------|---------|---------------------------------------|
| Sub-total of cash inflows | | | |
| from operating activities | 640,709 | 581,831 | 10.1% |
| Sub-total of cash outflows | | | |
| from operating activities | 404,021 | 413,325 | -2.3% |
| Net cash flows from operating activities | 236,688 | 168,506 | 40.5% |
| Sub-total of cash inflows | | | |
| from investing activities | 13,149 | 1,268 | 937.0% |
| Sub-total of cash outflows | | | |
| from investing activities | 55,873 | 8,979 | 522.3% |
| Net cash flow from investment activities | -42,724 | -7,711 | 454.1% |
| Sub-total of cash inflows | | | |
| from financing activities | 292,542 | 84,450 | 246.4% |
| Sub-total of cash outflows | | | |
| from financing activities | 153,499 | 142,778 | 7.5% |
| Net cash flows from financing activities | 139,043 | -58,328 | 338.4% |
| Net increase in cash and cash equivalents | 333,007 | 102,467 | 225.0% |

Explanations on main factors of influence of significant year-on-year changes in related data

- (1) The year-on-year increase of 10.1% in cash inflows from operating activities was mainly attributable to the sales revenue in 2018 and the collection of fund in 2019;
- (2) The year-on-year decrease of 2.3% in cash outflows from operating activities was mainly attributable to a decrease in the sales in the current period, resulting in a decrease in the payment for the corresponding purchase;
- (3) The year-on-year increase of 40.5% in net cash flows from operating activities was mainly attributable to the increase in cash inflows from operating activities in the current period, which was higher than the increase in cash outflows;

LETTER FROM THE BOARD

- (4) The year-on-year increase of 937.0% in cash inflows from investing activities was mainly attributable to the withdrawal of financial assets in the current period and interest income;
- (5) The year-on-year increase of 522.3% in cash outflows from investing activities was mainly attributable to the purchase of financial assets and land use rights in the current period;
- (6) The year-on-year increase of 454.1% in net cash flows from investing activities was mainly attributable to the increase in cash inflows from investing activities, which was higher than the increase in cash outflows;
- (7) The year-on-year increase of 246.4% in cash inflows from financing activities was mainly attributable to the proceeds raised from the listing in the current period;
- (8) The year-on-year increase of 7.5% in cash outflows from financing activities was mainly attributable to the increase in the repayment of guaranteed debt payments and the distribution of cash dividends in the current period;
- (9) The year-on-year increase of 338.4% in net cash flows from financing activities was mainly attributable to the increase in cash inflows from financing activities, which was higher than the increase in cash outflows.

4. Independent Auditor's Report and the Company's Audited Financial Statements for the Year 2019

An ordinary resolution will be proposed in the AGM to approve the independent auditor's report and the Company's audited financial statements for the year 2019, the texts of which are set out in the Company's annual report dispatched on 23 April 2020.

5. Profit Distribution Plan for the Year 2019

According to the Articles of Association, an ordinary resolution will be proposed in the AGM to approve the Company's profit distribution plan for the year 2019.

The Directors proposed the distribution of the cash final dividend of RMB0.6 per Share (tax inclusive) for the year ended 31 December 2019 (amounting to RMB41,874,700.2 in total as of the Latest Practicable Date). The remaining profit attributable to Shareholders shall be carried forward to the next period. No bonus shares will be distributed and no capital reserves will be capitalised. Such dividends will be paid to holders of Domestic Shares in RMB and to holders of H Shares in Hong Kong dollars (the exchange rate of RMB against Hong Kong dollar will be the average exchange rate announced by People's Bank of China one week before the date of the AGM). If the proposed profit distribution plan is approved at the AGM, the final dividend will be paid to Shareholders whose names are registered in the Company's register of members on 19 June 2020.

LETTER FROM THE BOARD

In order to determine the holders of shares who are entitled to the receipt of the abovementioned final dividend, the register of members of the Company will be closed from 15 June 2020 to 19 June 2020, both days inclusive. To be eligible to receive the final dividend for the year ended 31 December 2019 (subject to the approval of the Shareholders), unregistered holders of H Shares of the Company shall lodge relevant share transfer documents with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 12 June 2020.

We hereby recommend Shareholders to authorise the chairman of the Board to implement the above profit distribution plan.

According to regulations by the State Administration of Taxation (Guo Shui Han 2011 No.348) and relevant laws and regulations, if the individual H Share Shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the relevant tax treaty. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or those countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Shareholders.

The Company will determine the resident status of the individual H Share Shareholders based on the registered address as recorded in the register of members of the Company on 19 June 2020 (the "**Registered Address**"). If the resident status of any individual H Share Shareholders is not in consistency with that indicated by the Registered Address, such individual H Share Shareholders shall notify the Company's H Share registrar not later than 4:30 p.m. on 12 June 2020, and provide relevant supporting documents to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Any individual H Share Shareholder who fails to provide relevant supporting documents within the time period stated above, may either attend personally or appoint an agent to attend to the relevant procedures in accordance with the requirements under the tax treaty notice.

LETTER FROM THE BOARD

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Share Shareholder and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Share Shareholder or any disputes over the withholding mechanism or arrangements.

6. Financial Budget Report for the Year 2020

An ordinary resolution will be proposed at the AGM to approve the financial budget report for the year 2020.

2020 is year of completion for “the 13th Five-Year Development Plan “of the Company. According to the deployment of Breakdown of Key Tasks for Group Companies, grasp the new normal of economic development, focus on promoting innovation-driven development strategies, and strengthen innovations such as technology and products to vigorously cultivate new economic growth points. Maintaining the supply-side structural reform as the main line, and firmly grasping the key link of developing the market and improving the ability to supply competitive products. Adhere to the basic policy of “deepening reform, accelerating innovation, expanding opening-up, and implementing scientific management”. Work hard on the “consolidate, strengthen, enhance, and smooth”, and continue to focus on improvement in the quality and efficiency of the Company’s economic development. We take serious measures to reform and innovation, and comprehensively promote scientific management for achieving new leaps and creating new achievements for the development of the next “Five-Year Development Plan”.

The financial budget for 2020 (i.e. various expenses, including sales expenses, administrative expenses, research and development expenses, and financial expenses) is expected to be controlled at approximately RMB223 million.

Whether the above budget can be achieved depends on the favorable policies of the industry, market demand, competition pattern and the actual operation of the Company’s various businesses in 2020. There are many uncertain factors, and investors should be reminded to pay special attention.

7. Election of Members of the Second Session of the Board

Reference is made to the announcement of the Company dated 9 April 2020 in relation to proposed re-election and appointment of Directors.

The term of office of members of the first session of the Board will expire in June 2020. According to the relevant provisions of the Articles of Association, all members of the first session of the Board will continue to perform their duties as Directors of the Company before the completion of change of session of the Board.

LETTER FROM THE BOARD

The following persons (“**Nominated Directors**”) had been nominated as members of the second session of the Board. Ordinary resolutions to approve their elections will be presented to shareholders at the AGM for consideration and approval.

Candidates for the Directors are as follows:

- (1) Mr. Hong Zuobin is nominated to be re-elected as an executive Director of the Company.
- (2) Mr. Huang Youliang is nominated to be re-elected as an executive Director of the Company.
- (3) Mr. Jin Wensheng is nominated to be elected as an executive Director of the Company.
- (4) Mr. Yin Xingjing is nominated to be re-elected as an executive Director of the Company.
- (5) Mr. Zhang Shengyi is nominated to be re-elected as an executive Director of the Company.
- (6) Ms. Lin Zichan is nominated to be re-elected as an executive Director of the Company.
- (7) Mr. Lin Zhongzhu is nominated to be re-elected as an executive Director of the Company.
- (8) Mr. Ye Xiaosen is nominated to be re-elected as a non-executive Director of the Company.
- (9) Mr. Hou Zukuan is nominated to be re-elected as a non-executive Director of the Company.
- (10) Mr. Ng Jack Ho Wan is nominated to be re-elected as an independent non-executive Director of the Company.
- (11) Mr. Wong Hak Kun is nominated to be re-elected as an independent non-executive Director of the Company.
- (12) Mr. Wang Jingfu is nominated to be re-elected as an independent non-executive Director of the Company.
- (13) Mr. Li Jing is nominated to be re-elected as an independent non-executive Director of the Company.
- (14) Mr. Su Zhongdi is nominated to be re-elected as an independent non-executive Director of the Company.

LETTER FROM THE BOARD

Mr. Lin Jingdian will retire and will not stand for election as the Director of the second session of the Board. The retiring Director (i.e. Mr. Lin Jingdian) has confirmed that he has no disagreement with the Board and there are no matters that need to be brought to the attention of the Shareholders.

The details of the Nominated Directors are set out in Appendix III of this circular.

Except for those stated in this circular, (1) no Nominated Directors has held any directorship in any other listed companies or taken up a post in any affiliated companies of the Group in the past three years; (2) no Nominated Directors has any relationship with any other Director, Supervisor, senior management, substantial shareholder or controlling shareholder of the Company; (3) no Nominated Directors has any equity interest in the Company within meaning of Part XV of the Securities and Futures Ordinance.

The Nominated Directors will be elected subject to approval by Shareholders at the AGM, and their terms will be effective from the date of such approval at the AGM. It is expected that each of the Nominated Directors will enter into a service contract with the Company (with effect from the date of the relevant resolution for a term of three years).

After obtaining the relevant approval from the Shareholders at the AGM, the remuneration packages of the Directors will be determined according to the remuneration plan for Directors to be approved at the AGM of the Company.

The Nomination Committee and the Board are of the view that the Nominated Directors for the second session of the Board possess diverse expertise in terms of management, finance, accounting and laws. They possess professional experience and knowledge which are strongly complementary to each other and such knowledge and experience are conducive to the scientific decision-making of the Board. At the same time, there are also diverse characteristics among the Nominees for the Board in terms of age and years of service, which can enhance the performance of the Company.

Except for those stated in this circular, the Company considers that there is no other information relating to the Nominated Directors to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules nor any matter which needs to be brought to the attention of the Shareholders.

LETTER FROM THE BOARD

8. Election of Members of the Second Session of the Supervisory Committee

Reference is made to the announcement of the Company dated 9 April 2020 in relation to proposed re-election and appointment of Supervisors.

The term of office of members of the first session of the Supervisory Committee will expire in June 2020. According to the relevant provisions of Articles of Association, all members of the first session of the Supervisory Committee will continue to perform their duties as Supervisors before the completion of change of session of the Supervisory Committee.

The following persons (“**Nominated Supervisors**”) had been nominated as members of the second session of the Supervisory Committee. Ordinary resolutions to approve their elections will be presented to Shareholders at the AGM for consideration and approval.

Candidates for the Supervisors are as follows:

- (1) Mr. Ye Sigong is nominated to be re-elected as a non-employee representative Supervisor of the Company.
- (2) Mr. Zhou Xiaoding is nominated to be re-elected as a non-employee representative Supervisor of the Company.
- (3) Mr. Liu Jie is nominated to be elected as a non-employee representative Supervisor of the Company.

Pursuant to the Articles of Association, employee representative Supervisors shall account for not less than one-third of the Supervisors in the Supervisory Committee and shall be elected by the employees of the Company at the employee representative meeting or through other democratic procedures. The second session of the Supervisory Committee of the Company will consist of five Supervisors after the consideration and approval of Amendments to the Articles of Association and the Rules of Procedures of Supervisory Committee at the AGM. The Company will otherwise convene the employee representative meeting to elect two employee representative Supervisors, which together with three non-employee representative Supervisors elected at the AGM jointly form the second session of the Supervisory Committee and the Company will publish the announcement in due course.

The details of the Nominated Supervisors are set out in Appendix IV of this circular.

LETTER FROM THE BOARD

Except for those stated in this circular, (1) no Nominated Supervisors has held any directorship in any other listed companies or taken up a post in any affiliated companies of the Group in the past three years; (2) no Nominated Supervisors has any relationship with any other Director, Supervisor, senior management, substantial shareholder or controlling shareholder of the Company; (3) no Nominated Supervisors has any equity interest in the Company within meaning of Part XV of the Securities and Futures Ordinance.

The Nominated Supervisors will be elected subject to approval by Shareholders at the AGM, and their terms will be effective from the date of such approval at the AGM. It is expected that each of the Nominated Supervisors will enter into a service contract with the Company (with effect from the date of the relevant resolution for a term of three years).

After obtaining the relevant approval from the shareholders at the AGM, the remuneration packages of the Supervisors will be determined according to the remuneration plan for Supervisors to be approved at the AGM of the Company.

Except for those stated in this circular, the Company considers that there is no other information relating to the Nominated Supervisors to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules nor any matter which needs to be brought to the attention of the Shareholders.

9. Remuneration Plan for Directors of the Second Session of the Board and Supervisors of the Second Session of the Supervisory Committee

An ordinary resolution will be proposed at the AGM to approve the remuneration plan for Directors of the second session of the Board and Supervisors of the second session of the Supervisory Committee.

Pursuant to the relevant laws and regulations and the requirements of the Articles of Association, the Company has proposed the remuneration plan for Directors of the second session of the Board and Supervisors of the second session of the Supervisory Committee. The details are as follows:

(1) Executive Directors

The executive Directors of the second session of the Board received the remuneration due to their other duties in the Company instead of the position of executive Director, and the detail amount of annual remuneration are set out in the form below. The executive Directors received the bonus based on 20% of their respective annual remuneration amount (as set out in the form below) after completing the annual performance targets determined by the Board.

| Name | Position | Remuneration after tax per year |
|----------------|--------------------|--|
| Hong Zuobin | Executive Director | RMB925,000 |
| Huang Youliang | Executive Director | RMB862,500 |
| Jin Wensheng | Executive Director | RMB650,000 |
| Yin Xingjing | Executive Director | RMB650,000 |

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| Name | Position | Remuneration after tax per year |
|---------------|--------------------|--|
| Zhang Shengyi | Executive Director | RMB650,000 |
| Lin Zichan | Executive Director | RMB650,000 |
| Lin Zhongzhu | Executive Director | RMB650,000 |

The Company will enter into a Service Contract for Executive Director with each executive Director upon the consideration and approval of appointment of candidate of executive Director at the AGM. Each executive Director receives all remunerations (including the bonus) from the Company irrespective of their respective position in the Company, and the related individual income tax will be borne and paid by the Company.

(2) Non-executive Directors

The non-executive Directors of the second session of the Board of the Company receive a annual remuneration before tax of RMB144,000 through implementing the fee system for Directors.

The Company will enter into a Service Contract for Non-executive Director with each non-executive Director upon the consideration and approval of appointment of candidate of non-executive Director at the AGM.

(3) Independent non-executive Directors

The fee system for Directors were implemented for independent non-executive Directors of the second session of the Board, and details of annual remuneration amount are set out in the form below.

| Name | Position | Remuneration before tax per year |
|----------------|------------------------------------|---|
| Su Zhongdi | Independent non-executive Director | RMB144,000 |
| Li Jing | Independent non-executive Director | RMB144,000 |
| Wang Jingfu | Independent non-executive Director | RMB144,000 |
| Ng Jack Ho Wan | Independent non-executive Director | HK\$180,000 |
| Wong Hak Kun | Independent non-executive Director | HK\$180,000 |

The Company will enter into a Service Contract for Independent Non-executive Director with each independent non-executive Director upon the consideration and approval of appointment of candidate of independent non-executive Director at the AGM.

LETTER FROM THE BOARD

(4) Supervisors

The Supervisors of the second session of the Supervisory Committee received the remuneration due to their other duties in the Company instead of the position of Supervisor. The remuneration was determined to implement according to the required standards of Remuneration System of Zhejiang Cangnan Instrument Group.

After the consideration and approval of amendments to the provisions of Supervisory Committee composition in the Articles of Association and appointment of candidate of non-employee representative Supervisor of the second session of the Supervisory Committee at the AGM, the Company will enter into a Service Contract for Supervisor with each non-employee representative Supervisor, and will also enter into a Service Contract for Supervisor with two employee representative Supervisors which were elected in the employee representative meeting of the Company.

Each Supervisor receives all remunerations (including the bonus) from the Company irrespective of their respective position in the Company, and the related individual income tax will be borne personally, and withheld and remitted by the Company.

10. Re-Appointment of Auditor for the Year 2020 and Grant of Authority to the Board and Authorised Person to Determine its Remuneration

In 2019, the Company appointed PricewaterhouseCoopers (“PwC”) as the auditor for the Company. In the process of cooperation, PwC can fulfill its duties, follow independent, objective and fair professional standards, and maintain the interests of the Company and shareholders from a professional perspective. The Company is satisfied with its audit quality, professional standards, work efficiency and work attitude.

According to relevant regulations, it is proposed to re-appoint PwC as the auditor for the Company for 2020, and the term of appointment is up to the end of the 2020 annual general meeting of the Company. At the same time, it is proposed that the AGM authorize the Board or the persons authorized by the Board to determine the remuneration of the external auditor for the Company for 2020 according to the actual situation of the audit.

11. General Mandate to Repurchase the Company’s H Shares

In order to enable the Company’s Board to flexibly adjust the Company’s capital structure, the Company is now proposing that a general mandate to repurchase the Company’s H shares be granted to the Company’s Board as a special resolution approved at the AGM, Domestic Shareholders’ Class Meeting and H Shareholders’ Class Meeting, to repurchase H shares whose nominal value shall not exceed 10% of the total nominal value of the Company’s H shares on the date when this proposal is approved by the general meeting.

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In addition, it is proposed that the general meeting authorize the Board to carry out specific work related to the general mandate for this repurchase during the mandate period, including but not limited to formulating and implementing specific repurchase programs, obtaining relevant approvals required for repurchase inside and outside the country, implementing relevant legal procedures (such as legal procedures related to Company's capital reduction), and amending relevant terms of the Articles of Association to reflect the capital structure of the Company after repurchase. Under the general mandate to repurchase the Company's H shares, the Board shall exercise any power according to the relevant provisions of the Listing Rules of the Hong Kong Stock Exchange, the Articles of Association and the relevant laws and regulations of the PRC and perform information disclosure obligations in a timely manner.

The explanatory statement in relation to the submitted special resolution in respect of approval of general mandate to repurchase shares as set out in the notices of the AGM and H Shares Class Meeting to be despatched to Shareholders as required by the Listing Rules is set out in Appendix V to this circular.

12. General Mandate to Issue New Shares

In order to ensure the sustainable development of the business of the Company, grasp the window of capital market in a timely manner, and take into account the long-term interests of the Company's shareholders, approval is to be sought from the Shareholders for the general mandate. At the AGM, a special resolution will be proposed to grant the general mandate to the Board to exercise the power of the Company to issue, allot and deal with the additional Domestic and H Shares (including the converted Shares (if any)) not exceeding 20% of the respective number of the Domestic Shares and H Shares in issue as at the date of passing of the resolution to the general mandate.

As at the passing of the board resolution in relation to the general mandate, the issued share capital of the Company comprised 51,890,000 Domestic Shares and 17,901,167 H Shares. Subject to the passing of the resolution related to the granting of the general mandate and assuming that no further Shares will be issued before the AGM, the Company will be allowed to issue a maximum of 10,378,000 Domestic Shares and 3,580,233 H Shares in accordance with the general mandate.

The general mandate shall be effective from the time the resolution is passed until the earliest of:

- (1) The end of the 2020 annual general meeting of the Company; or
- (2) The expiration of 12 months from the date when this proposal is considered and approved at the general meeting; or
- (3) The date when the Company's shareholders revoke or amend the mandate granted to the Board under this proposal at any general meeting by way of special resolution.

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It is proposed to authorize the Board to handle changes in the Company's registered capital to reflect the Company's shares authorized to be issued under this proposal, make such amendments as it deems appropriate and necessary to the clauses in relation to the status of the shares and the registered capital (if involved) upon completion of the issuance in the Articles of Association, perform domestic and foreign statutory procedures related to approval, registration and filing, and take any other required actions and handle any required procedures to effect the issuance of shares under this proposal.

For the smooth implementation of the share issuance, it is proposed that the general meeting agree that the Board delegate the above mandate to the chairman, other directors or authorised persons to separately or jointly handle matters related to the issuance of shares after the Board obtains the above mandate, unless otherwise required by laws and regulations.

13. Proposed Amendments to the Rules of Procedures of General Meeting

Reference is made to the announcement of the Company dated 9 April 2020 in relation to proposed amendments to the Rules of Procedures of General Meeting.

According to the current Rules of Procedures of General Meeting of the Company, if the Rules of Procedures of General Meeting conflict with the provisions of the Articles of Association, they shall be implemented in accordance with the Articles of Association, and the Rules of Procedures of General Meeting shall be revised as soon as possible. In order to be consistent with the content of the current Articles of Association, the Company intends to revise, add or delete the current Rules of Procedures of General Meeting. The proposed changes to the Rules of Procedures of General Meeting are as follows:

| | Before amendment | After amendment |
|-----------|---|---|
| Article 3 | In case of the occurrence of the event as stipulated in the Articles of Association of the Company shall convene class shareholders' meetings. Apart from class shareholders, holders of domestic shares and overseas listed overseas shares shall be regarded as different classes of shareholders. | In case of the occurrence of the event as stipulated in the Articles of Association of the Company shall convene class shareholders' meetings. Apart from class shareholders, holders of domestic shares and holders of overseas listed foreign shares shall be regarded as different classes of shareholders. |

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| | Before amendment | After amendment |
|------------|--|---|
| Article 22 | <p>.....</p> <p>Where such Shareholder is a Recognised Clearing House (or its proxy(ies)) as defined by the relevant regulations formulated from time to time in Hong Kong, such Shareholder is entitled to appoint one or more persons as it deems fit to act on its behalf at any General Meetings or any other class meetings; where more than one person is authorized, the letter of authorization shall specify the number and class of shares involving each person so authorized. The authorization documents should be signed by the authorized officer of the Recognised Clearing House. Such persons so authorized shall be entitled to attend the General Meeting (who are not required to provide ownership documents, the notarized power of attorney and/or further evidence of his duly authorization) and exercise their rights on behalf of the Recognised Clearing House (or its proxy(ies)) as if they were individual Shareholders.</p> | <p>.....</p> <p><u>Where the shareholder and/or warrant holder is a recognized clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its proxy(ies), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any shareholders' meeting or any meeting of any class of shareholders and/or warrant holders provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of shares and/or warrants in respect of which each such person is so authorised. The person so authorised shall be deemed to have been duly authorised without the need of producing any documents of title, notarized authorisation and/or further evidence to substantiate that it is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as the clearing house or its proxy(ies) could exercise as if it were an individual shareholder and/or warrant holder of the Company.</u> such Shareholder is a Recognised Clearing House (or its proxy(ies)) as defined by the relevant regulations formulated from time to time in Hong Kong, such Shareholder is entitled to appoint one or more persons as it deems fit to act on its behalf at any General Meetings or any other class meetings; where more than one person is authorized, the letter of authorization shall specify the number and class of shares involving each person so authorized. The authorization documents should be signed by the authorized officer of the Recognised Clearing House. Such persons so authorized shall be entitled to attend the General Meeting (who are not required to provide ownership documents, the notarized power of attorney and/or further evidence of his duly authorization) and exercise their rights on behalf of the Recognised Clearing House (or its proxy(ies)) as if they were individual Shareholders.</p> |

LETTER FROM THE BOARD

| | Before amendment | After amendment |
|------------|---|--|
| Article 34 | <p>The general meeting shall have minutes prepared by the secretary to the board of directors. The minutes shall state the following contents:</p> <p>.....</p> <p>(3) The numbers of shareholders (including domestic-invested shareholders and holders of overseas listed foreign shares (if any)) and proxy(ies) attending the meeting, number of voting shares they represent and the percentages of their voting shares to the total share capital of the Company for each shareholder;.....</p> | <p>The general meeting shall have minutes prepared by the secretary to the board of directors. The minutes shall state the following contents:</p> <p>.....</p> <p>(3) The numbers of domestic shareholders (including domestic-invested proxy(ies)) and holders of overseas listed <u>foreign</u> shares (<u>if any</u>) and (including proxy(ies)) attending the meeting, number of voting shares they represent and the percentages of their voting shares to the total share capital of the Company for each shareholder;.....</p> |
| Article 50 | <p>The rights of shareholders of a certain class shall be deemed to have been changed or abrogated in the following conditions:</p> <p>(1)</p> <p>(12) any amendment or cancellation of the provisions of this section.</p> | <p><u>Unless otherwise provided in laws, administrative regulations and the Articles of Association,</u> the rights of shareholders of a certain class shall be deemed to have been changed or abrogated in the following conditions:</p> <p>(1)</p> <p>(12) any amendment or cancellation of the provisions of this section.</p> <p><u>The transfer of the Company's domestic shares by its holders in whole or part to overseas investors and the listing and trading of such transferred shares on overseas stock exchanges, or the conversion of the domestic shares in whole or part into overseas listed shares and the listing and trading of such converted shares on overseas stock exchanges, shall not be deemed to be a variation or abrogation of the rights of class shareholders proposed by the Company.</u></p> |

LETTER FROM THE BOARD

| | Before amendment | After amendment |
|------------|---|--|
| Article 55 | <p>In addition to holders of other classes of shares, holders of domestic-invested shares and overseas listed foreign shares are deemed to be different classes of shareholders.</p> <p>The special procedure for voting in class meeting shall not apply to the following circumstances:</p> <p>(1) Where the Company issues domestic-invested shares and overseas listed foreign shares, upon approval by a special resolution of its shareholders in a general meeting, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic-invested shares and overseas listed foreign shares of the Company;</p> <p>(3) Where with the approval by the securities regulatory authorities under the State Council, the shareholders convert their unlisted domestic shares and foreign shares into overseas-listed foreign shares for overseas listing and trading.</p> | <p>In addition to holders of other classes of shares, holders of domestic-invested shares and holders of overseas listed foreign shares are deemed to be different classes of shareholders.</p> <p>The special procedure for voting in class meeting shall not apply to the following circumstances:</p> <p>(1) Where the Company issues domestic-invested shares and overseas listed foreign shares, upon approval by a special resolution of its shareholders in a general meeting, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic-invested shares and overseas listed foreign shares of the Company;.....</p> <p>(3) Where with the approval by the securities regulatory authorities under the State Council, the domestic shareholders of the Company transfer all or part of their shares to foreign investors and such transferred shares are listed and traded on the overseas stock exchanges under the approval of the overseas securities regulatory authorities, or the domestic shareholders of the Company convert all or part of the issued domestic shares of the Company into overseas listed shares and such converted shares are listed and traded on the overseas stock exchanges convert their unlisted domestic shares and foreign shares into overseas-listed foreign shares for overseas listing and trading.</p> |

The proposed amendments will present in the form of a special resolution and take effect upon approval at the AGM, domestic shareholders' class meeting and the H Shareholders' Class Meeting of the Company.

LETTER FROM THE BOARD

14. Amendments to the Articles of Association and the Rules of Procedures of Supervisory Committee

Reference is made to the announcement of the Company dated 14 April 2020 in relation to proposed amendments to the Articles of Association and the Rules of Procedures of Supervisory Committee.

In order to further improve the corporate governance structure of the Company, the number of members of Supervisory Committee of the Company was proposed to increase to five from three. In view of this, the Company proposed to amend the existing Articles of Association and the existing rules of procedures of Supervisory Committee of the Company. And the AGM of the Company will consider and authorize the Board and the authorized persons of the Board to apply to the Market Supervision and Administration Department for the registration of changes and other related formalities.

The proposed amendment to the Articles of Association is as follows:

| | Before amendment | After amendment |
|-------------|---|--|
| Article 159 | The supervisory committee shall consist of three supervisors, among whom, one shall act as the chairman of the supervisory committee. | The supervisory committee shall consist of three <u>five</u> supervisors, among whom, one shall act as the chairman of the supervisory committee. |

The proposed amendment to the Rules of Procedures of Supervisory Committee is as follows:

| | Before amendment | After amendment |
|------------|---|--|
| Article 10 | The supervisory committee shall consist of three supervisors, among whom, one shall act as the chairman of the supervisory committee. | The supervisory committee shall consist of three <u>five</u> supervisors, among whom, one shall act as the chairman of the supervisory committee. |

The proposed amendments will present in the form of a special resolution and take effect upon approval at the AGM.

AGM AND H SHAREHOLDERS' CLASS MEETING

The Company will convene the AGM and H Shareholders' Class Meeting at 9:00 a.m. on Wednesday, 10 June 2020 at Conference Room, 7/F, Building 1, Zhejiang Cangnan Instrument Group Company Limited, Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC. Notice of AGM and Notice of H Shareholders' Class Meeting have been despatched on 23 April 2020.

LETTER FROM THE BOARD

A reply slip and a form of proxy to be used at the AGM and H Shareholders' Class Meeting have also been published on the website of the Stock Exchange (www.hkex.com.hk). Shareholders who intend to appoint a proxy to attend the AGM and H Shareholders' Class Meeting shall complete, sign and return the appropriate form of proxy in accordance with the instructions printed thereon.

To be valid, for holders of H Shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the AGM and H Shareholders' Class Meeting (i.e. before 9:00 a.m. on Tuesday, 9 June 2020) in order for such documents to be valid. For holders of Domestic Shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Board office of the Company in the PRC at Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC, not less than 24 hours before the time for holding the AGM and H Shareholders' Class Meeting (i.e. before 9:00 a.m. on Tuesday, 9 June 2020) in order for such documents to be valid.

Holders of H Shares and Domestic Shares, who intend to attend the AGM and H Shareholders' Class Meeting must complete the reply slip and return it to the Board office of the Company not later than twenty days before the date of the AGM and H Shareholders' Class Meeting, i.e. no later than 21 May 2020.

VOTING BY POLL AT AGM AND H SHAREHOLDERS' CLASS MEETING

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the AGM and H Shareholders' Class Meeting will therefore demand a poll for every resolution put to the vote of the AGM and H Shareholders' Class Meeting pursuant to article 94 of the Articles of Association.

Pursuant to the Articles of Association, for the purpose of holding the AGM and H Shareholders' Class Meeting, the register of members of the Company shall be closed from 11 May 2020 to 10 June 2020 (both days inclusive), during which period no transfer of shares will be registered.

In order to attend the AGM and H Shareholders' Class Meeting, holders of H Shares shall lodge all transfer documents together with the relevant shares certificates to Computershare Hong Kong Investor Services Limited, the Company's H share registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 8 May 2020.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Board considers that resolutions as specified in this circular are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly, recommends the Shareholders to vote in favor of the relevant resolutions to be proposed at the AGM and H Shareholders' Class Meeting.

Yours faithfully,

By Order of the Board

Zhejiang Cangnan Instrument Group Company Limited

Hong Zuobin

Chairman

Zhejiang Cangnan Instrument Group Company Limited
Report of the Board of Directors for the Year 2019

2019 is the fourth year for the Company to implement the 13th Five-Year Development Plan and is a crucial year for the Company's development. During this year, we thoroughly studied and fully implemented the principles of the 19th National Congress of the CPC and the Central and Provincial Economic Work Conferences, followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and took the "five key tasks" as the starting point to actively adapt to the new normal of economic development and further promote supply-side structural reform. We adhered to the basic policy of "deepening reform, accelerating innovation, expanding opening-up, and implementing scientific management" and continued to focus on improvement in the quality and efficiency of the Company's economic development. We took serious measures to reform and overcome difficulties, and the Company's development quality and its ability to resist risks have been comprehensively improved.

According to the relevant provisions of laws and regulations and the Articles of Association, the work of the Board for 2019 and the work arrangement for 2020 are as follows:

I. REVIEW OF THE MAJOR WORK OF THE BOARD IN 2019

In 2019, the Board convened a total of 2 general meetings, at which 12 proposals were submitted and 12 resolutions were considered and approved; convened a total of 2 domestic shareholders' class meetings, at which 2 proposals were submitted and 2 resolutions were considered and approved; convened a total of 2 H shareholders' class meetings, at which 2 proposals were submitted and 2 resolutions were considered and approved; and convened 6 Board meetings, at which 20 resolutions were considered and approved. The audit committee of the Board convened a total of 4 meetings and the remuneration committee convened 1 meeting. For matters discussed and considered at the meetings, please refer to the Company's 2019 annual report.

Over the past year, the Board focused on the following tasks:

(I) The self-construction of the Board was strengthened, and the operation of the Board was standard and efficient

The Board attached great importance to strengthening its self-construction, earnestly and diligently performing its duties, and adopted various means such as survey and training to improve the decision-making ability and level of board members, increase the decision-making efficiency of the Board, and give full play to the decision-supporting role of the special committees of the Board and the important role of independent directors, to further enhance the decision-making ability for significant events and the enforcement, supervision and implementation of Board resolutions, continue to explore corporate governance ability under the supervision situation of listed H shares, and operate in a standard and efficient manner. In 2019, the Directors participated in the survey of the current situation of subsidiaries, human

resource management and assessment, etc. The survey has provided first-hand information for directors' decision-making, and further enhanced the decision-making ability and level of board members. At the same time, the directors actively participated in the training through various channels to keep abreast of the latest laws and regulations, regulatory policies and important developments of the industry, improve their ability to perform their duties, and strengthen the professionalism of directors.

(II) Information disclosure was compliant, and investor relations management was effective

As a listed company in Hong Kong, the Board attaches great importance to the standardization of information disclosure. In 2019, it further combed and improved the Company's information disclosure process and system, strictly abided by laws, regulations and regulatory requirements, and truthfully, accurately and completely disclosed information to ensure the timeliness and fairness of information disclosure. The Company's information disclosure is investor-oriented, meets the regulatory requirements for information disclosure, and effectively protects the interests of investors. In 2019, a total of 56 announcements were made to the public to disclose the information on the Company's governance and business management to investors in a timely, accurate and complete manner, further enhancing the Company's transparency. The Board attaches great importance to investor relations management, and is always committed to safeguarding the legitimate rights and interests of investors. It faces investors' concerns, responds to investors' doubts in a timely manner, and continuously improves the quality and level of investor relations management. In 2019, the Company continued to improve the communication mechanism with domestic and foreign shareholders, potential investors, and other groups. Through telephone and mail communication, the Company maintained and deepened close ties with investors, promoted corporate culture, introduced the Company's business and answered questions from investors, to conduct investor relationship management through multiple channels and from multiple perspectives, and enhance investors' confidence in the Company's development.

(III) The Company actively fulfilled its social responsibilities and demonstrated the responsibility and accountability of a public company

By upholding the principle of "simultaneous promotion of charity and rural revitalization", the Company performs its social responsibilities by actively carrying out charity and poverty alleviation activities. Over the years, the Company has eagerly responded to the nation's call to engage in "precision poverty alleviation" and actively cooperated with the government and public welfare organizations, to support both material and cultural progress in impoverished areas and help extricate people there from poverty. All together, the Company has donated money and goods to a dozen targeted villages, nursing homes, public welfare institutions, various disadvantaged groups, and other groups who are in difficulties.

Particularly in May 2011, the Company took the lead to establish a RMB12 million charity fund in Cangnan County, and agreed to donate an interest of RMB600,000 to Cangnan County Charity Federation every year, to vigorously boost the development of the county's charitable undertakings. At the same time, the Company has prepared and published the ESG report according to the HKEx ESG Reporting Guide. Through a series of social responsibility activities, the Company has established a good image as a large public company and enhanced the cohesiveness and vigor of employees. For eight years in a row, the Company has been awarded the title of "Lucky Star of Charity" by the Cangnan County People's Congress.

(IV) The Company carefully convened general meetings, domestic shareholders' class meetings, and H shareholders' class meetings, and effectively implemented the resolutions of these meetings

The Board has prepared and convened general meetings, domestic shareholders' class meetings, and H shareholders' class meetings in a timely manner in strict accordance with the relevant provisions of the Articles of Association and the Rules of Procedures of General Meeting of the Company. In 2019, 1 extraordinary general meeting and 1 annual general meeting were convened. 12 proposals were submitted and 12 resolutions were considered and approved. The Board convened a total of 2 domestic shareholders' class meetings, at which 2 proposals were submitted and 2 resolutions were considered and approved; and convened a total of 2 H shareholders' class meetings, at which 2 proposals were submitted and 2 resolutions were considered and approved. The Board actively organized and urged relevant institutions or personnel to implement the resolutions of the general meetings, domestic shareholders' class meetings, and H shareholders' class meetings, and gave full play to the functions of the Board, to improve the Company's management level, and effectively safeguard the interests of the Company and the legitimate rights and interests of all shareholders.

II. PERFORMANCE OF DIRECTORS IN 2019

In 2019, all the directors of the Company strictly complied with the provisions of the Company Law, the Listing Rules of the Stock Exchange and the Articles of Association, performed their statutory duties in compliance with laws and regulations, in good faith and in diligent and responsible manner, and actively participated in discussion and decision-making at meetings, the procedures of which were in compliance with laws. The Company completed a great amount of work in respect of making significant development strategies, product innovation, internal control management, senior management appointment, performance assessment, system construction, enterprise culture, and social responsibility of the Company. Leveraging on our professional advantages arising from independent directors, the Company effectively enhanced the decision-making of the Board with scientificity and perceptiveness, which facilitated the sustainable and healthy development of the Company and safeguarded the rights and interests of the shareholders earnestly. In 2019, all directors attended the meetings in person or by telephone, voted on each proposal, and unanimously passed various proposals.

III. IMPLEMENTATION OF AUTHORIZATION GRANTED TO THE BOARD BY THE GENERAL MEETING

According to authorization granted to the Board by the general meeting, the Company orderly and strictly conducted its business activities within the scope of authorization, and did not act beyond the authorization. Overall, the implementation of the authorization was good.

IV. THE COMPANY'S OVERALL GUIDING IDEOLOGY AND BUSINESS OBJECTIVES FOR 2020 DETERMINED BY THE BOARD

The overall requirements for the Company's development in 2020 are: in-depth study and comprehensive implementation of the principles of the fourth plenary session of the 19th Central Committee of the Communist Party of China (CPC) and the Central and Provincial Economic Work Conferences, following the guidance of Xi Jinping's new development philosophy, further promoting the supply-side structural reform, and adhering to the basic policy of "deepening reform, accelerating innovation, expanding opening-up, and implementing scientific management". We will adhere to and improve the basic management system of the Company, make greater efforts to keep the Company's functions honest and industrious, and improve the Company's governance capacity and level in an effort to modernize its corporate governance. We will give prominence to innovation-driven development, vigorously strengthen technology and product innovation, and cultivate new points of economic growth with all our strength, to satisfy domestic and foreign market demands. We must focus on promoting the Company's strategic adjustment of economic structure and fundamental transformation of development momentum, and work hard with united efforts to make the Company stronger and bigger. We must focus on the needs of the Company's reform and development, strengthen the construction of talent teams, improve the quality of human capital, and strive to cultivate a talent team that can innovate the Company's development and serve the Company at full stretch. We must further develop and practise the core values of socialism as a starting point, strengthen the innovation of corporate culture and the construction of "innovative" enterprises and continuously improve the comprehensive literacy of all employees' firm belief, hard work, and scientific development to comprehensively improve the Company's development quality and enhance its ability to withstand risks. We must further base ourselves on the reality, look to the world, closely unite, work together, be humble and prudent, and work tirelessly to make new achievements in realizing the goals for the 13th Five-Year Plan and promoting high-quality development in an all-around way.

According to the above guiding ideology, the Company strives to achieve an increase in annual sales revenue for 2020 on the basis of 2019 and realize the goals for the 13th Five-Year Plan.

V. MAJOR WORK IN 2020**(I) Strengthening product technology innovation to maintain the Company's core competitiveness**

Oriented to market demands and following the development trend of intelligent gas, the Company will speed up the technical innovation in information products, network products, and intelligent products, specify R&D tasks and goals, and optimize R&D resource allocation with the focus on the implementation of these measures, to ensure R&D efficiency and quality and improve the adaptability of products to the market. The Company will also accelerate the R&D of ultrasonic flowmeters, prepaid flowmeters, IoT gas meters, cloud service platforms, and other products; continue to optimize the structure of turbine flowmeters, Roots flowmeters, and vortex precession flowmeters and improve technical performance; accelerate the R&D of middle and low-pressure gas regulators; comprehensively strengthen the intelligent R&D and production of household meters; and keep the excellent record of leading products in the industry. The Company will continue to maintain a high level of investment in technology research and development, strengthen the introduction and capacity building of research and development personnel, and improve the quality and quantity of intellectual property declarations.

(II) Promoting the building of smart factories

In 2020, the Company will assign special staff to promote the infrastructure construction of the Cangnan Instrument Industrial Park on a priority basis. The Company will set out to create an automated and intelligent processing and assembly production lines as well as modern intelligent warehousing and logistics systems by using new sensors, electronic information technologies, and high-precision production equipment combined with robots, manipulators, and transmission lines. With the construction of the Cangnan Instrument Industrial Park, the Company will work to change the existing production process and production layout, and speed up the realization of intelligent production and refined production. The Company will improve the flexibility of the supply structure to satisfy the demand for the supply-side structural reform. In addition, the Company will strengthen innovation in production technologies and modernization of management level, to adapt to changes in the market demand structure.

(III) Strengthening corporate governance

In 2020, the Company's Board will actively play a central role in corporate governance, further promote the construction of corporate governance, reinforce the learning of and comply with the relevant provisions of the Company Law, Securities Law, and the Listing Rules, to continuously improve the various systems of the general meeting, the Board, and the board of supervisors. The Board will work diligently, further improve the corporate governance structure, and do a good job in corporate governance and risk prevention.

(IV) Improving internal control and preventing operational risks

In 2020, the Board will further improve the system and processes of the Company's internal control management, implement internal control management policies, and give play to internal control's central role in corporate management. The Audit Committee will perform its duties conscientiously, supervise and evaluate internal audit and external audit, combine internal and external audits, and also supervise and evaluate the effectiveness of internal control to ensure that the Company operates according to law in a standard and efficient manner.

(V) Improving management level and promoting management change

In 2020, the Company will deepen its management and promote the implementation of various management changes. The Board will continue to strengthen the Company's work coordination and guidance, adjust the organizational structure, improve system construction, optimize work processes, and make greater efforts to keep the Company's functions honest and industrious. At the same time, we must vigorously strengthen the introduction of talents and the construction of human resources, make the salary system more scientific, the incentive mechanism more effective, and the talent structure more reasonable, striving to create a new situation where men of talent come out in succession and compete with each other.

(VI) Standardizing information disclosure and strengthening investor relations management

In 2020, the Company's Board will continue to earnestly fulfill its information disclosure obligations, ensure the truthfulness, accuracy and completeness of information disclosure, and further enhance the Company's standard operation and transparency in strict accordance with the requirements of relevant laws, regulations and regulatory documents including the Company Law, the Listing Rules and the Articles of Association. The Board will continue to improve the professionalism of the Company's investor relations management, strengthen investors' understanding of the Company, and promote the benign interaction between the Company and investors to effectively protect the interests of investors and strive to maximize the value of the Company and the interests of shareholders.

In 2020, with the support of all shareholders, the Board will forge ahead with unity and determination and continue to lead all employees of the Company to make new contributions to the Company's sustainable development.

**Zhejiang Cangnan Instrument Group Company Limited's
Report of the Supervisory Committee for the Year 2019**

In 2019, the Supervisory Committee of the Company fulfilled its duties in compliance with laws and regulations, earnestly performed the duties of the Supervisory Committee and independently exercised the powers of the Supervisory Committee in strict accordance with the relevant provisions and requirements of the Company Law, the Articles of Association and the Rules of Procedures of Supervisory Committee. The members of the Supervisory Committee have participated in or attended all the general meetings and Board meetings in 2019, effectively supervised the Company's business activities, financial status, major decisions, procedures for convening the general meetings, and performance of duties by Directors and senior management and well protected the shareholders' rights, the Company's interests and the legitimate rights and interests of employees to promote the standardized operation of the Company. The main works of 2019 are now reported as follows:

I. WORK OF THE SUPERVISORY COMMITTEE

1. On 29 March 2019, the Company held the fourth meeting of the first session of the Supervisory Committee. Three Supervisors were required to attend the meeting, and three Supervisors attended the meeting. Supervisors who attended the meeting were Ms. Lin Zichan, Secretary of the Board of Directors, and Mr. Chen Qihui, the financial controller of the Company.

The Proposal on Work Report of the Supervisory Committee for the Year 2018, the Proposal on Annual Report and Results Announcement for the Year 2018, the Proposal on Final Financial Accounts for the Year 2018, the Proposal on Independent Auditor Report and Audited Financial Statement for the Year 2018, the Proposal on Profit Distribution Plan for the Year 2018 and the Proposal on Financial Budget for the Year 2019 were considered and approved at the meeting.

2. On August 29, 2019, the Company held the fifth meeting of the first session of the Supervisory Committee. Three Supervisors were required to attend the meeting, and three Supervisors attended the meeting. Supervisors who attended the meeting were Ms. Lin Zichan, Secretary of the Board of Directors, and Mr. Chen Qihui, the financial controller of the Company.

The meeting considered and approved the Proposal on Interim Report and Interim Results Report for the Year 2019.

3. In 2019, the meetings of the Supervisory Committee of the Company were held in accordance with relevant provisions of the Company Law of the PRC and the Articles of Association in a legal and effective manner.

4. In 2019, under the strong support of all shareholders of the Company, the members of the Supervisory Committee attended all the Board meetings and general meetings, participated in the discussion of the Company's major decisions, and supervised the resolutions considered at the Board meetings and general meetings as well as the procedures for convening the meetings according to the law.
5. In 2019, the Supervisory Committee paid close attention to the operation and management of the Company, carefully supervised the Company's financial and capital utilization, and inspected the duty performance of the Board of Directors and the management team of the Company to ensure the standardization of the Company's operation and management practices.

II. INSPECTION OPINIONS OF THE SUPERVISORY COMMITTEE

In 2019, the Supervisory Committee of the Company earnestly performed the supervisory function of the Supervisory Committee, and comprehensively supervised the standardized operation, financial status and fund utilization, internal control, etc. of the Company in accordance with the relevant provisions of the Company Law, the Listing Rules of Hong Kong Stock Exchange and the Articles of Association, in the best interests of the Company and the interests of the Shareholders. After careful consideration, the Supervisory Committee agreed on the following matters:

1. The operation of the Company according to law.

In 2019, the Supervisory Committee participated in or attended the Board meetings and general meetings of the Company, and comprehensively supervised and inspected the convening procedures of and the resolutions considered at the Board meetings and general meetings, the implementation of the resolutions of the general meetings by the Board and the performance of duties of Directors and senior management. The Supervisory Committee believed that the convening procedures and decision-making procedures of the Board meetings and general meetings of the Company strictly followed the relevant provisions of the Company Law and the Articles of Association. Members of the Board of Directors and senior management of the Company performed their duties faithfully and diligently in accordance with the relevant national laws and regulations and the relevant provisions of the Articles of Association. In 2019, no Director or senior management member of the Company was found to have violated laws, regulations and the Articles of Association or committed any act detrimental to the interests of the Company and shareholders when performing their duties and exercising their powers.

2. Inspection of financial status of the Company.

In 2019, the Supervisory Committee inspected and supervised the financial operations of the Company by listening to the report of the chief financial officer of the Company, considering the annual report of the Company and reviewing the audit report issued by the auditors. The Supervisory Committee believed that the Company had perfect financial system, sound management system and reasonable withdrawals of various kinds. The Company's financial statements was audited by PricewaterhouseCoopers and a standard unqualified audit report was issued, considering that the Company's financial statements have been prepared in accordance with International Financial Reporting Standards and reflect the Company's financial position as at 31 December 2019 and the operating results and cash flow for 2019.

In 2019, facing the declining demand of the whole natural gas market, the Company, under the correct leadership of the Board of Directors and the joint efforts of all the cadres and employees, was able to grasp the market opportunities, overcome difficulties and complete the annual tasks in all material aspects.

III. WORK PLAN OF THE SUPERVISORY COMMITTEE FOR 2020

In 2020, the Supervisory Committee of the Company will continue to fulfill its duties and supervise the standardized operation of the Company based on the principle of being responsible to the general meeting of shareholders and the Company's strategic objectives and in strict accordance with the responsibilities of the Supervisory Committee required by the national laws and regulations and the Articles of Association.

1. Continue to control the Company's production and operation, asset management status and production costs. Master the Company's implementation of relevant laws and regulations and compliance with the Articles of Association and the resolutions of shareholders' meeting, and grasp the Company's operating conditions.
2. Inspect the performance of duties of the Company's Directors and senior management on a regular and irregular basis. Urge the Directors and senior management to perform their duties conscientiously, master the business behaviors of the persons in charge of the enterprise, and evaluate the performance of their business management.
3. Strengthen the self-construction of the Supervisory Committee, further improve the professional quality of the members of the Supervisory Committee and strengthen the study of laws, administrative regulations, financial accounting knowledge to continuously improve the quality of supervision and inspection.

4. Although the annual tasks have been well completed in 2019, the “two controls” indicators are still high, and the enterprise must have new measures and effects on inventories and accounts receivable in key markets.

In 2020, with the continuous expansion of the Company’s business, members of the Supervisory Committee of the Company should continuously improve their capabilities, enhance their sense of responsibility, further improve the corporate governance structure according to the requirements of relevant laws and regulations and the Articles of Association, enhance self-discipline consciousness and integrity awareness, strengthen supervision and earnestly take responsibility for protecting the rights and interests of shareholders. We will do our utmost to work together with the Board of Directors and all shareholders to promote the standardized operation of the Company and realize the sustainable and healthy development of the Company.

INFORMATION ON NOMINEES OF DIRECTORS

Mr. Hong Zuobin (洪作斌先生), aged 72, currently is the Chairman and the executive Director of the Company. In June 1966, Mr. Hong graduated from No. 1 High School in Pingyang County, Wenzhou with a high school diploma. Mr. Hong was a teacher at Mazhan Secondary School in Cangnan County, Zhejiang Province from September 1970 to September 1975, and served as the Party Branch Secretary and the manager of Cangnan Meter Plant from 1977 to June 1984. Mr. Hong served as the deputy head of the Industry Bureau of Cangnan County, the deputy director, director and the Secretary of the Economic Planning Commission of Cangnan County from April 1984 to December 1990; the director and the Secretary of the Party Leadership Group of the Overseas Chinese Affairs Office of Cangnan County from December 1990 to June 1993; the director and the Secretary of the Urban and Rural Construction Committee of Cangnan County from June 1993 to January 1997; the Secretary of the Party Leadership Group of the Environmental Protection Bureau of Cangnan County from January 1997 to June 1999; the director and the Secretary of the Party Leadership Group of the Taiwan Affairs Office of Cangnan County from June 1999 to June 2002; a researcher of the Taiwan Affairs Office of Cangnan County from January 2002 to December 2005. Mr. Hong has served as the Chairman of the Company since May 2004.

As at the Latest Practicable Date, Mr. Hong Zuobin held 9,253,400 shares of the Company, representing approximately 13.26% of the issued share capital of the Company as at that date.

Mr. Huang Youliang (黃友良先生), aged 54, currently is an executive Director and the general manager of the Company. Mr. Huang served as a statistical clerk of the production division and an officer, the deputy director and director of the factory office of our Company from August 1984 to November 2000, and was appointed as deputy factory manager from November 2000 to May 2001, and was promoted to the executive vice factory manager from May 2001 to December 2002. Mr. Huang has served as the general manager of our Company since January 2003. Mr. Huang studied at Graduate School of the Asia International Open University (Macau) from 2004 to 2006 and received a Master of Business Administration degree. Mr. Huang currently serves as an executive member of the China City Gas Association and vice president of Zhejiang Investment Promotion Association. In addition, Mr. Huang was awarded the title “National Machinery Industry Model Worker (全國機械工業勞動模範)” in 2014.

As at the Latest Practicable Date, Mr. Huang Youliang held 6,697,900 shares of the Company, representing approximately 9.60% of the issued share capital of the Company as at that date.

Mr. Jin Wensheng (金文勝先生), aged 51, currently is the deputy general manager and CPC Party Secretary of the Company, and is also the chairman of the board of directors and general manager of Dongxing Intelligent Instrument Co., Ltd., a subsidiary of the Group. Mr. Jin worked as a staff on the engineering department of the Company from January 1992 to January 1998; vice director of the technical development centre and plant manager assistant

from January 1999 to December 2000; diaphragm gauge branch plant manager (vice plant manager level) from January 2004 to December 2009; executive vice factory director of the Company and diaphragm gauge branch plant manager from January 2010 to January 2012; diaphragm gauge branch plant manager from January 2012 to May 2015; manager of Dongxing Intelligent Instrument Co., Ltd. from May 2015 to December 2018. Mr. Jin studied in Zhejiang University from September 1989 to July 1991, majoring in light chemistry and machinery, and pursued the EMBA programme (for presidents) in Shanghai Jiaotong University from July 2010 to October 2011. Mr. Jin was granted the title of Mechanical Manufacturing Engineer by the Wenzhou Municipal Government in October 2001.

As at the Latest Practicable Date, Mr. Jin Wensheng held 1,604,000 shares of the Company, representing approximately 2.30% of the issued share capital of the Company as at that date.

Mr. Yin Xingjing (殷興景先生), aged 47, currently is an executive Director and the deputy general manager of the Company. Mr. Yin was an officer of the technical division and the director of the No. 3 design workshop of the technical division of the Company from September 1993 to December 1999; the deputy director of the production engineering department from January 2000 to October 2000; the director of the technical department from November 2000 to May 2003; and was appointed as the chief engineer from January 2004 to January 2011. Mr. Yin has served as a deputy factory manager of the Company since January 2011. Mr. Yin majored in mechanical design and manufacture at University of Shanghai for Science and Technology from September 1993 to January 1997, and subsequently obtained a graduation certificate for the network education programme in mechanical and electrical engineering at University of Science and Technology Beijing in January 2009. In addition, Mr. Yin was awarded with the title of Instrument Technical Engineer in November 2002 and was subsequently promoted as Flow Instrument Professional Senior Engineer in December 2010. Mr. Yin was awarded with the National May 1 Labour Medal in 2013.

As at the Latest Practicable Date, Mr. Yin Xingjing held 1,710,700 shares of the Company, representing approximately 2.45% of the issued share capital of the Company as at that date.

Mr. Zhang Shengyi (章聖意先生), aged 52, currently is an executive Director and the chief engineer of the Company. Mr. Zhang joined the Company in March 1989 and worked as a worker at the instrument workshop up to December 1999; served as the deputy director of the technical development department from March 1999 to December 1999; the director of the technology development department from December 1999 to November 2000; the director of the chief engineer office from November 2000 to May 2001; assistant to the factory manager from May 2001 to August 2001; and was appointed as the deputy factory manager from August 2001 to January 2011. Mr. Zhang has served as the chief engineer since January 2011. Mr. Zhang majored in computer science and technology at Southwest China Normal University from March 2003 to January 2005. Mr. Zhang was awarded with the title of Automated

Instrument Engineer in November 2011, the title of Senior Engineer of Measurement and Metrology Technique and Instrument in February 2019, and the title of “Renowned Master” of the tertiary industries of Wenzhou in 2014.

As at the Latest Practicable Date, Mr. Zhang Shengyi held 2,005,100 shares of the Company, representing approximately 2.87% of the issued share capital of the Company as at that date.

Ms. Lin Zichan (林姿嬋女士), aged 42, currently is an executive Director, the vice general manager, the secretary to the Board of the Company and the deputy chairman of the Group’s labour union. Ms. Lin was an officer of the factory department office from November 2000 to May 2003; deputy head of the factory department office from May 2003 to January 2006; head of the factory department office from January 2006 to December 2008, assistant to the factory manager, head of the factory department office, and deputy chairman of the labour union from January 2009 to December 2012. Ms. Lin has served as a deputy general manager of the Company and deputy chairman of the labour union since January 2013. Ms. Lin majored in international economics and trade at Zhejiang Radio and Television University from September 1996 to June 1998 and subsequently studied an EMBA at Shanghai Jiao Tong University from May 2012 to August 2013.

As at the Latest Practicable Date, Ms. Lin Zichan held 1,710,700 shares of the Company, representing approximately 2.45% of the issued share capital of the Company as at that date.

Mr. Lin Zhongzhu (林中柱先生), aged 41, currently is an executive Director and the deputy general manager of the Company. Mr. Lin was an officer of the Company’s technical equipment department from January 2001 to December 2002; a technician of the precision work group from January to December 2003; deputy head of the technical equipment department from January 2004 to December 2005; head of the technical equipment department from January 2006 to March 2008; a deputy chief engineer and the head of the technical equipment department from April 2008 to December 2011; and assistant to the factory manager and the head of the technical equipment department from January 2012 to December 2012. Mr. Lin has served as a deputy factory manager since January 2013. Mr. Lin majored in mechanical manufacturing and automation at Zhejiang University of Technology from September 1996 to July 2000 and obtained a bachelor’s degree. In addition, Mr. Lin was awarded with the title of Mechanical Manufacturing Engineer by Wenzhou Municipal People’s Government in November 2011.

As at the Latest Practicable Date, Mr. Lin Zhongzhu held 729,500 shares of the Company, representing approximately 1.05% of the issued share capital of the Company as at that date.

Mr. Ye Xiaosen (葉小森先生), aged 68, currently is a non-executive Director of the Company. Mr. Ye had been working with the Company from November 1983 to November 2011. Mr. Ye served as a salesman and assistant to the chief of the sales department from November 1983 to April 1985; deputy chief of the sales department of the Company from April 1985 to February 1988; chief of the sales department of the Company from February 1988 to

May 1993; deputy plant director from May 1993 to January 1996; plant director from January 1996 to September 1998; Chairman of the Company from September 1998 to May 2004; and vice chairman of the Company from May 2004 to November 2011.

As at the Latest Practicable Date, Mr. Ye Xiaosen didn't hold any securities of the Company.

Mr. Hou Zukuan (侯祖寬先生), aged 68, currently is a non-executive Director of the Company. Mr. Hou had been working with the Company from September 1977 to July 2017. Mr. Hou served as chief of the financial section from the time when the Company started business operation to November 1984; director of the factory office from November 1984 to July 1986; secretary to the factory department from July 1986 to January 1987; deputy factory manager and executive deputy factory manager from January 1987 to February 2001; factory manager from February 2001 to December 2002; consultant to the factory manager from January 2003 to January 2013; and director of the infrastructure office of the Company from January 2013 to July 2017.

As at the Latest Practicable Date, Mr. Hou Zukuan didn't hold any securities of the Company.

Mr. Ng Jack Ho Wan (吳浩雲先生), aged 43, currently is an independent non-executive Director of the Company. Mr. Ng has over 20 years of experience in accounting, auditing, asset management and fund management. He worked in PricewaterhouseCoopers LLP, Canada from September 1997 to February 2001. Mr. Ng then worked in KPMG in Hong Kong from March 2001 to October 2012 and was an audit partner in KPMG in Hong Kong from July 2008 to October 2012, where he was responsible for overseeing audit and advisory projects in the wealth and fund management sectors both in China and Hong Kong. Mr. Ng has been the managing director of Jack H.W. Ng CPA Limited since June 2013. Mr. Ng has been appointed as an independent non-executive director of HM International Holdings Limited (a company listed on the GEM Board of the Stock Exchange, stock code: 8416) (with effect from 15 December 2016). Mr. Ng graduated from Simon Fraser University, Canada with a degree of Bachelor of Business Administration in May 2000. Mr. Ng has been a senior fellow of the Hong Kong Institute of Certified Public Accountants since May 2010 and also a chartered accountant in British Columbia, Canada since February 2001. Mr. Ng was granted the designation of financial risk manager by the Global Association of Risk Professionals and the certification of information systems auditor by ISACA in November 2004 and January 2007, respectively. In September 2007, Mr. Ng was certified as chartered financial analyst by the Chartered Financial Analyst Institute. Mr. Ng was awarded with a specialist certificate in asset management by Hong Kong Securities Institute in February 2005.

As at the Latest Practicable Date, Mr. Ng Jack Ho Wan didn't hold any securities of the Company.

Mr. Wong Hak Kun (王克勤先生), aged 63, currently is an independent non-executive Director of the Company. Mr. Wong once worked in Deloitte China, and has more than 36 years of experience in auditing, assurance and management. He has been a partner of Deloitte China since 1992. He served as a member on the board of directors of Deloitte China from 2000 to 2008. Before retiring in May 2017, Mr. Wong was a partner of Deloitte China in charge of national audit and assurance. Mr. Wong has been respectively appointed as an independent non-executive director of Yue Yuen Industrial (Holdings) Limited (a company listed on the Main Board of the Stock Exchange, stock code: 551) (with effect from 1 June 2018) and an independent non-executive director of Lung Kee (Bermuda) Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 255) (with effect from 1 June 2018). Mr. Wong obtained a bachelor's degree in social sciences from The University of Hong Kong in November 1980. He is a member of Hong Kong Institute of Certified Public Accountants since December 1983, the Association of Chartered Certified Accountants since September 1983, and the Chartered Institute of Management Accountants since June 1990.

As at the Latest Practicable Date, Mr. Wong Hak Kun didn't hold any securities of the Company.

Mr. Wang Jingfu (王靖甫先生), aged 54, currently is an independent non-executive Director of the Company. Mr. Wang is currently the chairman and president of Zhejiang Zhengda Certified Public Accounting. Mr. Wang currently serves as the independent director of Zhemao Science & Technology Company Limited. Mr. Wang graduated from Hangzhou Business School (杭州商學院) (now Hangzhou Business College of Zhejiang Gongshang University) in 1987. He studied a continuing education and majored in accounting at Zhejiang Institute of Finance and Economics from February 2004 to January 2007. Mr. Wang served as a director of Zhejiang Institute of Certified Public Accountants, a visiting professor of Hangzhou Polytechnic, and chairman of accounting professional steering committee of Hangzhou Polytechnic. Mr. Wang currently serves as a director of Zhejiang Engineering Cost Association. Mr. Wang is qualified as senior accountant and CPA.

As at the Latest Practicable Date, Mr. Wang Jingfu didn't hold any securities of the Company.

Mr. Li Jing (李靜先生), aged 53, currently is an independent non-executive Director of the Company. From August 1988 to July 1998, Mr. Li worked in Faculty of Laws in Hangzhou University (currently Zhejiang University). From November 1998 to the present, he worked in L&H Law Firm. He is a founding partner of L&H Law Firm. From 23 November 2007 to 29 December 2010, Mr. Li served as the independent director of Sichuan Jinding (Group) Co. Mr. Li graduated from the Department of Political Education of East China Normal University with a Bachelor of Law degree in July 1988. He became a CPA in China in 1996. He was admitted as a PRC qualified lawyer by Zhejiang Provincial Department of Justice (浙江省司法廳) in October 1991.

As at the Latest Practicable Date, Mr. Li Jing didn't hold any securities of the Company.

Mr. Su Zhongdi (蘇中地先生), aged 63, currently is an independent non-executive Director of the Company. Mr. Su graduated from Zhejiang University with a bachelor's degree, majoring in fluid mechanics in January 1982, and graduated from Peking University with a Master of Science degree in 1984, majoring in fluid mechanics. Afterward, he worked as a teacher in China Jiliang University. From March 2000 to July 2003, he pursued advanced studies in Department of Mechanical Engineering of The Hong Kong Polytechnic University and obtained the degree of Doctor of Philosophy. Mr. Su had been engaged in the teaching of fluid mechanics and the research of flow metrology from 1984 to 2017. In the meantime, he had been the academic leader in fluid mechanics and the head of Fluid Detection and Simulation Research Institute in China Jiliang University. He participated in the creation of undergraduate programmes for fluid mechanics and engineering mechanics in China Jiliang University as the principal. He has directed dozens of scientific research projects, including projects of Natural Science Foundation of China, projects of the AQSIQ, projects of Natural Science Foundation of Zhejiang Province, key scientific research projects of Zhejiang Province, projects of oversea study fund, and projects entrusted by large enterprises.

As at the Latest Practicable Date, Mr. Su Zhongdi didn't hold any securities of the Company.

INFORMATION ON NOMINEES OF SUPERVISORS

Mr. Ye Sigong (葉思共先生), aged 53, currently is a Supervisor of the Company. Mr. Ye served as a worker of the electrical instrument and assembly workshop of the Company from August 1989 to June 1995; the director of the electrical instrument and assembly workshop from June 1995 to January 2006; the deputy director of production and director of the electrical instrument and assembly workshop from January 2006 to January 2007; the managing deputy factory manager of the heat metre branch from January 2007 to December 2007; and the deputy director and director of the quality department from January 2008 to December 2009. Mr. Ye has served as the director of the market services centre since January 2010. Mr. Ye obtained a high school diploma from Mazhan High School in July 1984.

As at the Latest Practicable Date, Mr. Ye Sigong held 368,000 shares of the Company, representing approximately 0.53% of the issued share capital of the Company as at that date.

Mr. Zhou Xiaoding (周孝定先生), aged 53, currently is a Supervisor of the Company. Mr. Zhou served as a worker, section officer of the technology department and salesman of the Company from July 1984 to March 2000; and the deputy director of planning and marketing from March 2000 to December 2007. Mr. Zhou has served as the regional marketing manager in places including Chongqing, Sichuan, Guizhou and Yunnan since January 2008. From September 1984 to July 1986, Mr. Zhou took a postgraduate advancement course in textile machinery at Zhejiang Silk Institute of Technology (浙江絲綢工學院) (now Zhejiang Sci-Tech University).

As at the Latest Practicable Date, Mr. Zhou Xiaoding held 920,000 shares of the Company, representing approximately 1.32% of the issued share capital of the Company as at that date.

Mr. Liu Jie (劉杰先生), aged 43, currently is the director and general deputy manager of Dongxing Energy Technology Co., Ltd., a subsidiary of the Group. From May 1999 to February 2004, Mr. Liu worked as the staff in power supply and distribution workshop of the Company; from February 2004 to January 2008, he worked as the director of power supply and distribution workshop; from January 2008 to April 2011, he worked as the deputy director of Process Equipment Department; from April 2011 to September 2014, he worked as the deputy director of the Machinery Manufacturing Branch; from September 2014 to January 2016, he worked as the executive deputy director of Dongxing Precision Casting Branch; from January 2016 to September 2016, he worked as deputy director of Production Department; from September 2016 to May 2017, he worked as the director of Process Equipment Department; and since May 2017, he acted as the general deputy manager of Dongxing Energy Technology Co., Ltd.

As at the Latest Practicable Date, Mr. Liu Jie didn't hold any securities of the Company.

This explanatory statement contains all the information required under Rule 10.06(1)(b) of the Listing Rules and also constitutes a memorandum required under the Companies Ordinance.

EXERCISE OF THE REPURCHASE MANDATE

The Directors believe that the flexibility afforded by the Repurchase Mandate would be beneficial to the Company. It is proposed that up to 10% of the total number of H Shares in issue on the date of the passing of the special resolution to approve the Repurchase Mandate may be repurchased. As at the Latest Practicable Date, 17,901,167 H Shares were issued by the Company. On the basis of such figure, the Board would be authorised to repurchase up to 1,790,116 H Shares during the period of 12 months commencing from the date of the passing of such resolution or until the conclusion of the 2020 annual general meeting or its revocation or alteration by a special resolution at a general meeting and class meeting, whichever is the earliest.

REASONS FOR REPURCHASE

The Board is of the view that the repurchase of H shares can maintain the stability of the Company's share price, enhance the net asset or earnings per share, protect the long-term interests of investors, and promote the maximization of shareholder value, so as to ensure the sustainable and healthy development of the Company, which is in the overall interests of shareholders.

FUNDING OF REPURCHASE

In accordance with the PRC laws and regulations, the rules of securities regulatory authorities in the place where the Company's shares are listed and the relevant rules of the Company's Articles of Association, the Company will use its own funds and the funds that meet the requirements of securities regulatory policy to repurchase H shares.

EFFECT OF SHARE REPURCHASE

There might be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its latest published audited accounts for the year ended 31 December 2019) in the event that the Repurchase Mandate is exercised in full.

However, the Board does not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the Company's working capital or gearing position, which in the opinion of the Directors is from time to time appropriate for the Company.

DISCLOSURE OF INTERESTS

None of the Directors, and to the best of their knowledge, having made all reasonable enquires, none of their close associates, have any present intention to sell Shares to the Company or its subsidiaries if the Repurchase Mandate is approved by the Shareholders.

No core connected persons of the Company have notified the Company that they (i) have a present intention to sell Shares to the Company or (ii) have undertaken not to sell Shares to the Company, if the Repurchase Mandate is approved by the Shareholders.

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the PRC.

SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of Share have been made by the Company (whether on the Stock Exchange or otherwise) during the six months preceding the date of this circular.

EFFECT OF TAKEOVERS CODE

If as a result of share repurchase by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, the Shareholders, or group of Shareholders acting in concert, depending on the level of increase of its or their shareholding, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Hong Zuobin, the substantial shareholder of the Company, held 9,253,400 domestic shares of the Company, representing 13.26% of the total number of Shares of the Company as at that date. If the Repurchase Mandate is exercised in full, the number of H Shares of the Company will be reduced to 16,111,051 shares and the total share capital will become 68,001,051 shares. Mr. Hong Zuobin will be interested in 13.61% of the total number of Shares of the Company. Therefore, exercise of the Repurchase Mandate shall not result in a mandatory offer obligation upon Mr. Hong Zuobin under Rule 26 of the Takeovers Code.

MARKET PRICES

The highest and lowest prices at which the Shares of the Company have been traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

| | Traded market price | |
|--|---------------------|------------------|
| | Highest (HK\$) | Lowest (HK\$) |
| 2019 | | |
| April | 16.98 | 15.1 |
| May | 16.52 | 15.62 |
| June | 16.8 | 15.82 |
| July | 15.78 | 14.24 |
| August | 14.72 | 13.9 |
| September | 14.66 | 13.8 |
| October | 15.2 | 13.48 |
| November | 16.96 | 13.3 |
| December | 17.2 | 15.42 |
| 2020 | | |
| January | 40 | 17.1 |
| February | 45.7 | 40.1 |
| March | 52 | 41 |
| April (to the Latest Practicable Date) | 50.45 | 48.6 |

NOTICE OF AGM



Zhejiang Cangnan Instrument Group Company Limited 浙江蒼南儀錶集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1743)

NOTICE OF 2019 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2019 annual general meeting (the “AGM”) of Zhejiang Cangnan Instrument Group Company Limited (the “Company”) will be held at 9:00 a.m. on Wednesday, 10 June 2020 at Conference Room, 7/F, Building 1, Zhejiang Cangnan Instrument Group Company Limited, Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC, for the purpose of considering, and if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the Board of Directors for the year 2019.
2. To consider and approve the report of the Supervisory Committee for the year 2019.
3. To consider and approve the final financial accounts for the year 2019.
4. To consider and approve the independent auditor’s report and the Company’s audited financial statements for the year 2019.
5. To consider and approve the Company’s profit distribution plan for the year 2019.
6. To consider and approve the Company’s financial budget report for the year 2020.
7. To consider and approve the re-election and appointment of members of the second session of the Board.
 - 7.1 Re-election of Mr. Hong Zuobin as an executive Director of the Company.
 - 7.2 Re-election of Mr. Huang Youliang as an executive Director of the Company.
 - 7.3 Appointment of Mr. Jin Wensheng as an executive Director of the Company.
 - 7.4 Re-election of Mr. Yin Xingjing as an executive Director of the Company.

NOTICE OF AGM

- 7.5 Re-election of Mr. Zhang Shengyi as an executive Director of the Company.
- 7.6 Re-election of Ms. Lin Zichan as an executive Director of the Company.
- 7.7 Re-election of Mr. Lin Zhongzhu as an executive Director of the Company.
- 7.8 Re-election of Mr. Ye Xiaosen as a non-executive Director of the Company.
- 7.9 Re-election of Mr. Hou Zukuan as a non-executive Director of the Company.
- 7.10 Re-election of Mr. Ng Jack Ho Wan as a non-executive Director of the Company.
- 7.11 Re-election of Mr. Wong Hak Kun as an independent non-executive Director of the Company.
- 7.12 Re-election of Mr. Wang Jingfu as an independent non-executive Director of the Company.
- 7.13 Re-election of Mr. Li Jing as an independent non-executive Director of the Company.
- 7.14 Re-election of Mr. Su Zhongdi as an independent non-executive Director of the Company.
8. To consider and approve the re-election and appointment of members of the second session of the Supervisory Committee.
 - 8.1 Re-election of Mr. Ye Sigong as a non-employee Supervisor of the Company.
 - 8.2 Re-election of Mr. Zhou Xiaoding as a non-employee Supervisor of the Company.
 - 8.3 Appointment of Mr. Liu Jie as a non-employee Supervisor of the Company.
9. To consider and approve the remuneration plan of Directors of the second session of the Board and Supervisors of the second session of the Supervisory Committee.
10. To consider and approve the re-appointment of PricewaterhouseCoopers as the Company's auditor and to authorize the Board and authorized person to determine its remuneration.

NOTICE OF AGM

SPECIAL RESOLUTIONS

11. To consider and approve the grant of a general mandate to the Board to exercise the power of the Company to repurchase H shares not exceeding 10% of the aggregate nominal values of the Company's H shares as at the date of passing of the resolution in relation to the general mandate.
12. To consider and approve the grant of a general mandate to the Board to exercise the power of the Company to issue, allot and deal with the additional domestic shares and H shares not exceeding 20% of the respective number of the Company's domestic shares and H shares in issue as at the date of passing of the resolution in relation to the general mandate.
13. To consider and approve the proposed amendments to the Rules of Procedures of General Meeting.
14. To consider and approve the proposed amendments to the Articles of Association and the Rules of Procedures of Supervisory Committee.

Wenzhou, the PRC, 23 April 2020

As at the date of this notice, the Board comprises Mr. Hong Zuobin, Mr. Huang Youliang, Mr. Yin Xingjing, Mr. Zhang Shengyi, Ms. Lin Zichan, Mr. Lin Zhongzhu and Mr. Lin Jingdian as executive Directors, Mr. Ye Xiaosen and Mr. Hou Zukuan as non-executive Directors and Mr. Ng Jack Ho Wan, Mr. Wong Hak Kun, Mr. Wang Jingfu, Mr. Li Jing and Mr. Su Zhongdi as independent non-executive Directors.

Notes:

1. The register of members of the Company (the “**Register of Members**”) will be closed from 11 May 2020 to 10 June 2020 (both days inclusive), during which period no transfer of shares of the Company can be registered.

In order to be qualified to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Board Office of the Company in the PRC (for holders of Domestic Shares), no later than 4:30 p.m. on 8 May 2020.

The Board of the Company has recommended a dividend of RMB0.6 per Share (tax inclusive) for the year ended 31 December 2019 and, if such dividend is declared by the shareholders passing the item 5 of the ordinary resolutions, it will be distributed to those shareholders whose names appear on the register of members of the Company after close of trading on 19 June 2020. The register of members of H Shares will be closed from 15 June 2020 to 19 June 2020 (both days inclusive). In order to be entitled to the dividend, holders of H Shares who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Board office of the Company in the PRC (for holders of Domestic Shares), no later than 4:30 p.m. on 12 June 2020.

NOTICE OF AGM

2. Shareholders of the Company (the “Shareholders”) who are entitled to attend and vote at the AGM may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a Shareholder.
3. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorized to sign the same.
4. In order to be valid, the form of proxy must be deposited, for the holders of H Shares, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or for the holders of Domestic Shares, to the Board Office of the Company in the PRC not less than 24 hours before the time for holding the AGM (i.e. before 9:00 a.m. on 9 June 2020). If the form of proxy is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the form of proxy. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the AGM or any adjourned meetings should you so wish.
5. Shareholders shall produce their identity documents and supporting documents in respect of Shares held when attending the AGM. If corporate Shareholders appoint authorized representative to attend the AGM, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the form of proxy signed by the Shareholders or their attorney when attending the AGM.
6. Shareholders who intend to attend the AGM should complete the reply slip and return it to the Company’s H Shares registrar or the Board Office of the Company in the PRC by hand, by post or by fax on or before 21 May 2020.
7. The AGM is expected to take for less than half a day. Shareholders attending the AGM shall be responsible for their own travel and accommodation expenses.
8. Contact details of the Board Office of the Company in the PRC are as follows:

Address: Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC
Telephone No.: +86-577-64837701
Fax No.: +86-577-64839306
9. Unless otherwise defined herein, the capitalized terms used herein shall have the same meanings as defined in the Company’s circular to be issued on 23 April 2020.
10. All times in this notice refer to Hong Kong local times.

NOTICE OF H SHAREHOLDERS' CLASS MEETING



Zhejiang Cangnan Instrument Group Company Limited 浙江蒼南儀錶集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1743)

NOTICE OF 2020 FIRST H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the H shareholders' class meeting of Zhejiang Cangnan Instrument Group Company Limited (the "**Company**") will be held at 9:00 a.m. (or immediately after the conclusion or adjournment of the AGM and the 2020 first domestic shareholders' class meeting of the Company) on Wednesday, 10 June 2020 at Conference Room, 7/F, Building 1, Zhejiang Cangnan Instrument Group Company Limited, Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC, for the purpose of considering, and if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

1. To consider and approve the grant of a general mandate to the Board to exercise the power of the Company to repurchase H shares not exceeding 10% of the aggregate nominal values of the Company's H shares as at the date of passing of the resolution in relation to the general mandate.
2. To consider and approve the proposed amendments to the Rules of Procedures of General Meeting.

Wenzhou, the PRC, 23 April 2020

As at the date of this notice, the Board comprises Mr. Hong Zuobin, Mr. Huang Youliang, Mr. Yin Xingjing, Mr. Zhang Shengyi, Ms. Lin Zichan, Mr. Lin Zhongzhu and Mr. Lin Jingdian as executive Directors, Mr. Ye Xiaosen and Mr. Hou Zukuan as non-executive Directors and Mr. Ng Jack Ho Wan, Mr. Wong Hak Kun, Mr. Wang Jingfu, Mr. Li Jing and Mr. Su Zhongdi as independent non-executive Directors.

NOTICE OF H SHAREHOLDERS' CLASS MEETING

Notes:

1. The register of members of the Company (the “**Register of Members**”) will be closed from 11 May 2020 to 10 June 2020 (both days inclusive), during which period no transfer of shares of the Company can be registered.

In order to be qualified to attend and vote at the H Shareholders' Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 8 May 2020.

2. Shareholders of the Company (the “**Shareholders**”) who are entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a Shareholder.
3. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorized to sign the same.
4. In order to be valid, the form of proxy must be deposited to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the H Shareholders' Class Meeting (i.e. before 9:00 a.m. on 9 June 2020). If the form of proxy is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the form of proxy. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the H Shareholders' Class Meeting or any adjourned meetings should you so wish.
5. Shareholders shall produce their identity documents and supporting documents in respect of Shares held when attending the H Shareholders' Class Meeting. If corporate Shareholders appoint authorized representative to attend the H Shareholders' Class Meeting, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the form of proxy signed by the Shareholders or their attorney when attending the H Shareholders' Class Meeting.
6. Shareholders who intend to attend the H Shareholders' Class Meeting should complete the reply slip and return it to the Company's H Shares registrar or the Board Office of the Company in the PRC by hand, by post or by fax on or before 21 May 2020.
7. The H Shareholders' Class Meeting is expected to take for less than half a day. Shareholders attending the H Shareholders' Class Meeting shall be responsible for their own travel and accommodation expenses.
8. Contact details of the Board Office of the Company in the PRC are as follows:

Address: Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC
Telephone No.: +86-577-64837701
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9. Unless otherwise defined herein, the capitalized terms used herein shall have the same meanings as defined in the Company's circular to be issued on 23 April 2020.
10. All times in this notice refer to Hong Kong local times.