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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)

DISCLOSEABLE TRANSACTION ESTABLISHMENT OF THE LIMITED PARTNERSHIP

ESTABLISHMENT OF THE LIMITED PARTNERSHIP

The Board is pleased to announce that, on 11 December 2020, the Company and the other nine Partners have entered into the Limited Partnership Agreement in relation to, among other things, the establishment of the Limited Partnership and the subscription of the interest therein. Pursuant to the Limited Partnership Agreement, all the Partners of the Limited Partnership shall make a total capital contribution of RMB204,000,000, among which, the Company, as a Limited Partner, shall make a capital contribution of RMB100,000,000.

The Limited Partnership shall be principally engaged in the investment in the Wenzhou Science and Technology Innovation Governmental Fund to gain investment returns for the Partners.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Limited Partnership Agreement and the transactions contemplated thereunder exceed(s) 5% but all of the applicable percentage ratios are less than 25%, the entering into of the Limited Partnership Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

ESTABLISHMENT OF THE LIMITED PARTNERSHIP

The Board is pleased to announce that, on 11 December 2020, the Company and the other nine Partners have entered into the Limited Partnership Agreement in relation to, among other things, the establishment of the Limited Partnership and the subscription of the interest therein. Pursuant to the Limited Partnership Agreement, all the Partners of the Limited Partnership shall make a total capital contribution of RMB204,000,000, among which, the Company, as a Limited Partner, shall make a capital contribution of RMB100,000,000.

The principal terms of the Limited Partnership Agreement are set out as follows:

Date:	11 December 2020
Name of the Limited Partnership:	Wenzhou Yongrun Investment Partnership (Limited Partnership)* (溫州永潤投資合夥企業(有限合夥))
Partners and amount of capital contribution:	The total capital contribution of all the Partners of the Limited Partnership shall be RMB204,000,000, all of which shall be made by means of cash. The amount of capital contribution of each Partner is set out as follows:

Partner	Type	Amount of Capital Contribution (RMB)	Percentage
Wenzhou Lianchuang Company	General Partner	2,040,000	1%
Company	Limited Partner	100,000,000	49%
Zhang Feng	Limited Partner	9,270,000	4.55%
Wang Huasheng	Limited Partner	5,150,000	2.52%
Lu Ensheng	Limited Partner	3,090,000	1.52%
Yang Hongsheng	Limited Partner	3,090,000	1.52%
Wenzhou Yongxuan	Limited Partner	70,030,000	34.33%
Lu Jibao	Limited Partner	3,090,000	1.52%
Xie Shiyun	Limited Partner	5,150,000	2.52%
Huang Qingyi	Limited Partner	3,090,000	1.52%

The total capital contribution to be made by each Partner to the Limited Partnership was determined by the Partners after arm's length negotiation with reference to, among others, the capital demand of the Limited Partnership. The Group intends to finance its capital contribution through its internal resources.

Purpose: The Limited Partnership shall be principally engaged in the investment in the Wenzhou Science and Technology Innovation Governmental Fund to gain investment returns for the Partners.

Term: The term of the Limited Partnership shall be five years commencing from the date of issuance of business licence, extendable for two years upon expiry with the unanimous consent of all the Partners.

Implementation of partnership affairs: The General Partner, as the executive Partner, shall have exclusive power over the management of the Limited Partnership. The Limited Partners shall be entitled to supervise the executive Partner in relation to the implementation of partnership affairs. The Limited Partners, as the non-executive Partners, shall not act on behalf of the Limited Partnership externally.

Management fee: Pursuant to the terms of the Limited Partnership Agreement, the Limited Partnership shall pay management fees equal to 2% of the paid-up capital contribution of the Limited Partnership (the “**Management Fees**”) annually to the General Partner. The Management Fees shall be paid for five years.

Distribution of investment income: Pursuant to the terms of the Limited Partnership Agreement, the net investment income shall be the balance of investment income after deducting the Management Fees and expenses of the Limited Partnership.

After deducting the amount of capital contribution of the Partners, the Limited Partnership shall firstly make a distribution of 20% of net investment income to the General Partner. After the above distribution, the Limited Partnership shall make a distribution out of its surplus to the remaining Partners in proportion to their respective capital contribution.

Sharing of loss: Any loss incurred by the Limited Partnership shall be shared by all the Partners in proportion to their respective capital contribution.

Transferability of interests: Pursuant to the terms of the Limited Partnership Agreement, the Limited Partners, without any prejudice to the implementation of partnership affairs, may transfer or pledge their interests in the Limited Partnership, provided that they shall make a 30-day prior notice to the other Partners.

Generally, the General Partner shall not, in any way, transfer any of its interest in the Limited Partnership. With the unanimous consent of the other Partners and subject to the commitment of the transferee to undertaking all liabilities and obligations of the original General Partner, the General Partner may transfer its interest in the Limited Partnership.

Winding-up:

Pursuant to the terms of the Limited Partnership Agreement, the Limited Partnership shall be wound up, in case of any of the following event occurred:

- (1) the Partners determine not to carry on their business upon the expiry of the term of partnership;
- (2) such events triggering winding-up as agreed by the Limited Partnership occurred;
- (3) all the Partners determine to wind up;
- (4) the Limited Partnership no longer have a quorum for 30 days;
- (5) such purpose of partnership as agreed by the Limited Partnership Agreement has been or has not been materialised;
- (6) invalidation of business licence or closure or revocation order received according to the laws;
- (7) other reasons under the requirements of the laws or administrative regulations.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the General Partner and the other Partners of the Limited Partnership and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

THE REASONS OF AND BENEFITS FOR ESTABLISHMENT OF THE LIMITED PARTNERSHIP

The Group strives to explore potential investment opportunities for its business diversification and the investments to be carried out by the Limited Partnership will bring investment returns and revenue to the Group. In light of the above, the Directors (including the independent non-executive Directors) consider that the Limited Partnership Agreement is on normal commercial terms after arm's length negotiation among the Partners of the Limited Partnership, and the terms and conditions thereof are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Limited Partnership Agreement and the transactions contemplated thereunder exceed(s) 5% but all of the applicable percentage ratios are less than 25%, the entering into of the Limited Partnership Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION ON THE COMPANY AND THE OTHER PARTNERS OF THE LIMITED PARTNERSHIP

The Company is a joint stock company incorporated in the PRC with limited liability, which is a leading industrial and commercial gas flowmeter manufacturer in China. The Group is dedicated to the manufacture and sales of a wide range of industrial and commercial gas flowmeters while being engaged in a comprehensive business integrating research and development, manufacture, sales and aftersales services.

Wenzhou Lianchuang is a limited liability company established in the PRC, principally engaged in the investment in industry and real estate property. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Wenzhou Lianchuang is owned as to 65% and 35% by Zhang Feng and Hangzhou Lianchuang Investment Management Co., Ltd.* (杭州聯創投資管理有限公司), respectively.

Hangzhou Lianchuang Investment Management Co., Ltd.* (杭州聯創投資管理有限公司) is a limited liability company established in the PRC, principally engaged in investment management, asset management, industry investment and investment consultation. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Hangzhou Lianchuang Investment Management Co., Ltd.* (杭州聯創投資管理有限公司) is owned as to 80% and 20% by Xu Hanjie and Chen Xiu, respectively.

Wenzhou Yongxuan is a limited partnership established in the PRC, principally engaged in cultural industry investment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Wenzhou Yongxuan is owned as to 28.57% by Zhang Feng, 14.29% by Chen Erdong, 14.29% by Li Xila, 14.29% by Lin Qixiang, 14.29% by Xie Shiyun and 14.29% by Jin Haixi.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out belows:

“Board”	the board of Directors of the Company
“Company”	Zhejiang Cangnan Instrument Group Company Limited, a company incorporated in the PRC, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1743)
“connected persons”	have the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“General Partner”	the general partner of the Limited Partnership pursuant to the Limited Partnership Agreement, i.e. Wenzhou Lianchuang
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Limited Partners”	the limited partners of the Limited Partnership pursuant to the Limited Partnership Agreement, including the Company, Zhang Feng, Wang Huasheng, Lu Ensheng, Yang Hongsheng, Wenzhou Yongxuan, Lu Jibao, Xie Shiyun and Huang Qingyi, and the “Limited Partner” shall mean any one of them

“Limited Partnership Agreement”	a limited partnership agreement dated 11 December 2020 and entered into by the General Partner and the Limited Partners in relation to, among other things, the establishment of the Limited Partnership in the PRC and the subscription of the Partners of the interest therein
“Limited Partnership”	a limited partnership to be established by the General Partner and the Limited Partners in the PRC under the name of Wenzhou Yongrun Investment Partnership (Limited Partnership)* (溫州永潤投資合夥企業(有限合夥))
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partners”	the partners under the Limited Partnership Agreement, including the General Partner and the Limited Partners
“percentage ratios”	have the meaning ascribed thereto under Chapter 14 of the Listing Rules
“PRC” and “China”	the People’s Republic of China, and for the purpose of the this announcement, excluding Taiwan, Hong Kong and the Macao Special Administrative Region
“RMB”	renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wenzhou Lianchuang”	Wenzhou Lianchuang Yongxuan Investment Management Co., Ltd.* (溫州聯創永宣投資管理有限公司), a limited liability company established in the PRC
“Wenzhou Yongxuan”	Wenzhou Yongxuan Investment Enterprise (Limited Partnership)* (溫州永宣投資企業(有限合夥)), a limited partnership established in the PRC
“%”	per cent.

By order of the Board
Zhejiang Cangnan Instrument Group Company Limited
Hong Zuobin
Chairman

Hong Kong, 11 December 2020

As at the date of this announcement, the Board comprises Mr. Hong Zuobin, Mr. Huang Youliang, Mr. Jin Wensheng, Mr. Yin Xingjing, Mr. Zhang Shengyi, Ms. Lin Zichan and Mr. Lin Zhongzhu 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.

* For identification purpose only