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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)

UPDATE ON USE OF PROCEEDS

Reference is made to the announcement dated 5 August 2020 (the “**Announcement**”) of Zhejiang Cangnan Instrument Group Company Limited (the “**Company**”) and the interim report (the “**Interim Report**”) of the Company for the six months ended 30 June 2020, which was published on the websites of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Company on 23 September 2020. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement and Interim Report unless otherwise specified herein.

The Board (the “**Board**”) of Directors (the “**Directors**”) of the Company wishes to provide the shareholders of the Company and potential investors with the further information on the expected timetable for the utilization of unused proceeds from the Global Offering.

The Company’s shares have been listed on the Stock Exchange since 4 January 2019. The net proceeds from the Global Offering after deducting the underwriting fees, commissions and other expenses were approximately RMB178.05 million (the “**Net Proceeds**”). The Company has not yet used any of the Net Proceeds as at 31 December 2020 due to the impact of the following factors :

- (i) Due to the postponement of approving the use of land for relevant projects, the Company didn’t obtain the Plot 09-12-1 and Plot 09-12-2 in Cangnan County Industrial Park (蒼南縣工業園區) until January 2020 and September 2020, respectively, and so far, the government has not supplied the Plot 10-1 in Taiwan Businessmen Town (台商小鎮);
- (ii) There are a few government approval processes, such as approval for construction project planning and approval for construction permit, having an impact on the project progress to certain degree;
- (iii) The government has established and strictly implemented COVID-19 prevention and control policies and measures since the outbreak of this coronavirus disease, such as postponement of the resumption of work, and restrictions on logistics and population flow; and

- (iv) In consideration of the change of market demand, industry development trend, and the Company's production planning and business development, the Company has been prudent about the use of the Net Proceeds and rational about the investment of the Net Proceeds during implementation of the projects.

The following table details the proposed use of the Net Proceeds as set out in the Prospectus and the actual use of the Net Proceeds as at 31 December 2020:

	<i>RMB (million)</i>		
	Budget <i>(approximately)</i>	Amount that had been used as at 31 December 2020	Remaining balance as at 31 December 2020 <i>(approximately)</i>
Used for intelligent gas flowmeter modification and upgrade project	97.93	–	97.93
Used for Internet-of-Things (IoT) gas measurement and transmission and distribution management platform	35.61	–	35.61
Used for flowmeter testing and inspection laboratory project	26.71	–	26.71
Used for working capital related to principal businesses and other general corporate purposes	17.80	–	17.80
Total	178.05	–	178.05

The following table details the expected timetable for use of the Net Proceeds (i.e. RMB178.05 million):

	<i>RMB (million)</i>	
Expected Period	Estimated Amount of Expenditure (approximately)	
Used for intelligent gas flowmeter modification and upgrade project	1 January 2021 – 30 June 2021	23.87
	1 July 2021 – 31 December 2021	23.27
	1 January 2022 – 30 June 2022	31.29
	1 July 2022 – 31 December 2022	12.05
	1 January 2023 – 31 March 2023	7.45
Used for Internet-of-Things (IoT) gas measurement and transmission and distribution management platform	1 July 2021 – 31 December 2021	16.23
	1 January 2022 – 30 June 2022	19.38
Used for flowmeter testing and inspection laboratory project	1 July 2021 – 31 December 2021	10.50
	1 January 2022 – 30 June 2022	16.21
Used for working capital related to principal businesses and other general corporate purposes	1 January 2021 – 31 December 2022	17.80

The Net Proceeds (i.e. RMB178.05 million) are expected to be used in the period from 1 January 2021 to 30 June 2023 for the same purpose as set out in the Prospectus. It is based on the Directors' best estimate of future market conditions, but subject to adjustments.

Other than the expected timetable, the Directors are not aware of any material changes in the plans in relation to the use of the Net Proceeds as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus dated 19 December 2018.

Should the Directors decide to reallocate the planned use of the Net Proceeds to other business plans and/or new projects of the Company to a material extent, the Company will make appropriate announcement(s) in due course.

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

Hong Kong, 31 December 2020

As of 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.