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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 ENTERING INTO THE CONSTRUCTION CONTRACT

Entering Into The Construction Contract

The Board is pleased to announce that, on 19 January 2021, the Company and Wenzhou Zhonggang Construction have entered into the Construction Contract, pursuant to which Wenzhou Zhonggang Construction will provide certain construction services to the Company.

Implications Under Listing Rules

As one or more of the applicable percentage ratio(s) in respect of the Construction Contract and the transactions contemplated thereunder exceed(s) 5% but all of the applicable percentage ratios are less than 25%, the entering into of the Construction Contract 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.

Entering Into The Construction Contract

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The principal terms of the Construction Contract are set out as below:

Date: 19 January 2021

Parties: (1) the Company; and
(2) Wenzhou Zhonggang Construction

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Wenzhou Zhonggang Construction and its ultimate beneficial owners are Independent Third Parties.

Construction Scope: Pursuant to the Construction Contract, the construction scope is the Group's construction project in the Plot 09-12, Cangnan Industrial Park, Cangnan County, Zhejiang Province, the PRC, including administration building, assembly building, production workshop 1, production workshop 2, retaining and protection of foundation excavation and basement project.

Construction Period: The construction period is expected to be 415 days (starting from the signing of the contract) and approximately end on or about 10 March 2022.

Consideration: Pursuant to the Construction Contract, the Company shall pay the consideration of approximately RMB130.33 million. The final engineering amount is subject to the completion settlement, but the maximum amount shall not exceed RMB135 million.

The Company awarded the Construction Contract to Wenzhou Zhonggang Construction after having objectively assessed the experience and capability of Wenzhou Zhonggang Construction, the expected scope and complexity of the construction to be performed, the expected costs of construction materials and labour costs to be incurred, and the prevailing market price for carrying out a construction of similar scale and complexity.

Method of Payment: The consideration of approximately RMB130.33 million will be paid by the self-owned funds of the Group and the proceed from the global offering of shares of the Company (“**Proceeds**”) on the following methods:

Date	Proceeds	Self-owned funds <i>RMB’0,000</i>	Total
31 March 2021 (or before)	1,599	3,351	4,950
30 June 2021 (or before)	788	2,132	2,920
30 September 2021 (or before)	856	434	1,290
31 December 2021 (or before)	1,071	249	1,320
31 March 2022 (or before)	1,424	476	1,900
31 March 2023 (or before)	—	653	653
	<u>5,738</u>	<u>7,295</u>	<u>13,033</u>
Total	5,738	7,295	13,033

The Reasons Of And Benefits For Entering Into The Construction Contract

The Company is a leading industrial and commercial gas flowmeter manufacturer in the PRC. 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.

As disclosed in the announcement of the Company dated 31 December 2020, the Company has obtained the Plot 09-12-1 and Plot 09-12-2 in Cangnan County Industrial Park (蒼南縣工業園區) in January 2020 and September 2020, respectively, for the construction, relocation and expansion of the facilities. Entering into the Construction Contract represents that the Company commences to construct new production plant with total area of approximately 55,822.33 square meters in those plots located at Cangnan County, Zhejiang Province, the PRC. The construction of new plant is for the relocation of the Company’s existing facilities and the construction of new facilities, which will act in concert with the Group’s development on the constructions of intelligent gas flowmeter modification and upgrade project, Internet-of-Things (IoT) gas measurement and transmission and distribution management platform, and flowmeter testing and inspection laboratory project.

The construction of new plant will facilitate the improvement of the Group’s production process, meeting with the long-term objective of expanding production capability of the Group and maintaining the competitive advantage in the same industry, which will enable the Group to be responsive to the continuous expanding business and seize the opportunity of the future.

In light of the above, Directors (including independent non-executive Directors) consider that the Construction Contract is entered into on normal commercial terms after arm’s length negotiation between the parties, the terms and conditions thereof are fair and reasonable, and in the interest of the Company and Shareholders as a whole.

Implications Under Listing Rules

As one or more of the applicable percentage ratio(s) in respect of the Construction Contract and the transactions contemplated thereunder exceed(s) 5% but all of the applicable percentage ratios are less than 25%, the entering into of the Construction Contract 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 of Wenzhou Zhonggang Construction

Wenzhou Zhonggang Construction is a company established in the PRC with limited liability, mainly engaged in special contracting for construction engineering, mining engineering, highway engineering, municipal public engineering, earthwork engineering, construction decoration and renovation engineering, landscaping engineering, ancient architectural landscape engineering, steel structure engineering, mechanical and electrical equipment installation engineering, sports facility engineering and tunnel engineering, construction materials production and processing (excluding hazardous chemicals) and machinery equipment leasing business.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, Wenzhou Zhonggang Construction is held as to 25.0% by Liu Huazhong, 25.0% by Huang Ruichun, 25.0% by Liu Rizhang and 25.0% by Wei Changyin.

Definition

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

“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)
“Construction Contract”	The construction contract entered into between the Company and Wenzhou Zhonggang Construction on 19 January 2021 in respect of the construction project in the Plot 09-12 Cangnan County Industrial Park
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third party independent of the Company and its connected persons (having the meaning ascribed thereto under the Listing Rules)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed thereto under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of 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 Zhonggang Construction”	Wenzhou Zhonggang Construction Engineering Co., Ltd.
“%”	per cent

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

Hong Kong, 19 January 2021

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.