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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 limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1743)

ANNOUNCEMENT

- 1. CONDITIONAL CASH OFFER BY HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED ON BEHALF OF ZHEJIANG CANGNAN INSTRUMENT GROUP COMPANY LIMITED TO BUY-BACK ALL THE ISSUED H SHARES AT HK\$22.00 PER H SHARE;
AND**
- 2. PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF THE COMPANY ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

Financial Adviser to the Company



Independent Financial Adviser to the Independent H Shareholders



BACKGROUND

Reference is made to the announcement of the Company dated 5 February 2021 made pursuant to Rule 3.7 of the Takeovers Code in relation to the possible Share Buy-back Offer and delisting of H Shares.

A board meeting of the Company was held on 5 February 2021, whereby the Board has resolved, among other matters, that the Company will, subject to compliance with the requirements under the Takeovers Code and the Share Buy-back Code, repurchase all the issued H Shares in the share capital of the Company. If the Share Buy-back Offer materializes and becomes unconditional, such H Shares which will be repurchased by the Company will be cancelled, and the listing of H Shares of the Company on the Stock Exchange will be withdrawn pursuant to the Takeovers Code, the Share Buy-back Code and the Listing Rules. The Share Buy-back Offer, together with the Voluntary Withdrawal, are subject to the fulfilment of a number of conditions as set out in this announcement, including the passing of resolutions approving the Share Buy-back Offer and the Voluntary Withdrawal at the extraordinary general meeting and class meetings. The Directors believe the Share Buy-back Offer will be in the best interest of the Company and its Shareholders as a whole.

As of the date of this announcement, each of the Domestic Shareholders entered into irrevocable undertakings in favor of the Company, pursuant to which each of them has irrevocably agreed and undertaken to the Company, among other things, no offer has to be extended to such Domestic Shareholder if the Share Buy-back Offer is made by the Company and even if such offer is extended to the Domestic Shareholders, it will not accept such offer. Given that all the Domestic Shareholders have entered into such irrevocable undertakings, no comparable offer will be made to the Domestic Shareholders and the Company has applied to the Executive for a waiver from the requirements under Rule 14 of the Takeovers Code.

CONSIDERATION FOR THE SHARE BUY-BACK OFFER

Huatai, on behalf of the Company and in compliance with the Takeovers Code, will make the Share Buy-back Offer on the terms to be set out in the Offer Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$22.00 in cash

SHAREHOLDING IN THE COMPANY

As at the date of this announcement, save for any Domestic Shares held by the Directors, supervisors and senior management of the Company, or under the direction of such supervisor, i.e. Domestic Shares held by Huashi LP (as defined below), the Company and parties acting in concert with them (including the Directors) do not hold, own, control or have direction over any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

As at the date of this announcement, the Company has 17,901,167 H Shares in issue. The Company has no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of H Shares and no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement. Taking into account the fact that no parties acting in concert with the Company owned any H Shares (including the Directors), a total of 17,901,167 H Shares will be subject to the Share Buy-back Offer.

As at the date of this announcement, the Company has 51,890,000 Domestic Shares in issue. Taking into account the fact that 32,548,700 Domestic Shares, representing approximately 62.73% of the total number of Domestic Shares and approximately 46.64% of the total issued share capital of the Company, are held by the Directors, supervisors, senior management and parties acting in concert with any of them, such holders of 32,548,700 Domestic Shares will be abstained from voting at the Domestic Shares class meeting and the EGM, whilst a total of 19,341,300 Domestic Shares, representing approximately 37.28% of the total Domestic Shares and 27.71% of the total issued share capital of the Company, will still be eligible to vote at the Domestic Shares class meeting and the EGM.

INTENTIONS OF THE COMPANY

It is the Company's intention to buy-back H Shares and withdraw the listing of its H Shares from the Stock Exchange pursuant to the Share Buy-back Offer. After delisting of its H Shares, the Company has the intention to maintain its existing principal activities, the manufacture and sales of a wide range of industrial and commercial gas flowmeters. Notwithstanding the above, the Company has not identified any investment or business opportunities, nor did it enter into any discussions or negotiations with any third parties regarding the injections of assets or business into, or disposals of assets or business of the Group.

The Company has no intention to introduce major changes to the existing operation and business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. The Company has no plan to terminate the employment of any employees or personnel of the Group or introduce any significant changes to the management of the Group following completion of the delisting. However, subject to the results of the review regarding the business and financial position of the Group, the Company reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations.

DESPATCH OF THE OFFER DOCUMENT

It is the intention of the Company to set out in the Offer Document, among other things, (i) the details of the Share Buy-back Offer and the Voluntary Withdrawal (including the expected timetable and terms of the Share Buy-back Offer and the Voluntary Withdrawal); and (ii) a letter of advice from Gram Capital in relation to the Share Buy-back Offer and the Voluntary Withdrawal, together with the relevant form(s) of acceptance and transfer. The Offer Document, together with notices of extraordinary general meeting and class meetings, will be issued and despatched by the Company to the Shareholders in accordance with the Takeovers Code, within 21 days from the date of this announcement or such later date as the Executive may approve. According to the Company's articles of association, 45 days' notice must be given before any extraordinary general meeting or class meetings could be held.

THE INDEPENDENT FINANCIAL ADVISER

Gram Capital, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, has been appointed by the Company as the Independent Financial Adviser to advise the Independent H Shareholders in respect of the Share Buy-back Offer and the Voluntary Withdrawal and, in particular, as to whether the Share Buy-back Offer is fair and reasonable and as to acceptance of the Share Buy-back Offer pursuant to Rule 2.1 of the Takeovers Code.

Pursuant to Rule 3.3 of the Share Buy-backs Code, no Directors and any persons acting in concert with them will be considered to be independent and therefore no independent board committee will be formed in this case.

WARNING

The Share Buy-back Offer is conditional upon the satisfaction of the conditions as described in this announcement. Accordingly, the Share Buy-back Offer is subject to the Shareholders' approvals and therefore may or may not become unconditional and the issue of this announcement does not imply that the Share Buy-back Offer or the Voluntary Withdrawal will be completed. The Directors strongly recommend the Independent H Shareholders not to form a view on the Share Buy-back Offer unless and until they have received and read the Offer Document, including the letter of advice from Gram Capital in relation to the Share Buy-back Offer and the Voluntary Withdrawal.

H Shareholders and potential investors are advised to exercise caution when dealing in the H Shares during the Offer Period, and if they are in any doubt about their position, they should consult their professional advisers.

Independent H Shareholders should note that if they do not accept the Share Buy-back Offer and such offer subsequently becomes unconditional in all respects and the Company delisted from the Stock Exchange, it will result in such shareholders holding securities that are not listed on the Stock Exchange and the liquidity of the H Shares may be severely reduced. In addition, the Company will no longer be subject to the requirements under the Listing Rules and may or may not continue to be subject to the Takeovers Code depending on whether it remains as a public company under the Takeovers Code.

Independent H Shareholders should also note that if they do not agree to the terms of the Share Buy-back Offer, they can vote against the delisting proposal at the meetings. If more than 10% of the disinterested shares voted against the delisting proposal, the Share Buy-back Offer would not become unconditional and the Company would remain listed on the Stock Exchange.

Background

Reference is made to the announcement of the Company dated 5 February 2021 made pursuant to Rule 3.7 of the Takeovers Code in relation to the possible Share Buy-back Offer and delisting of H Shares.

A board meeting of the Company was held on 5 February 2021, whereby the Board has resolved, among other matters, that the Company will, subject to compliance with the requirements under the Takeovers Code and the Share Buy-back Code, repurchase all the issued H Shares in the share capital of the Company.

If the Share Buy-back Offer materializes and becomes unconditional, such H Shares which will be repurchased by the Company will be cancelled, and the listing of H Shares of the Company will be withdrawn pursuant to the Takeovers Code, the Share Buy-back Code and the Listing Rules. The Share Buy-back Offer, together with the Voluntary Withdrawal, are subject to the fulfilment of a number of conditions as set out in this announcement, including the passing of resolutions approving the Share Buy-back Offer and the Voluntary Withdrawal at the extraordinary general meeting and class meetings. The Directors believe the Share Buy-back Offer will be in the best interest of the Company and its Shareholders as a whole.

As of the date of this announcement, each of the Domestic Shareholders entered into irrevocable undertakings in favor of the Company, pursuant to which each of them has irrevocably agreed and undertaken to the Company, among other things, no offer has to be extended to such Domestic Shareholder if the Share Buy-back Offer is made by the Company and even if such offer is extended to the Domestic Shareholders, it will not accept such offer. Given that all the Domestic Shareholders have entered into such irrevocable undertakings, no comparable offer will be made to the Domestic Shareholders and the Company has applied to the Executive for a waiver from the requirements under Rule 14 of the Takeovers Code.

Consideration for the Share Buy-back Offer

Huatai, on behalf of the Company and in compliance with the Takeovers Code and the Share Buy-back Code, will make the Share Buy-back Offer on the terms to be set out in the Offer Document to be issued in accordance with the Takeovers Code and the Share Buy-back Code on the following basis:

For each Offer Share..... HK\$22.00 in cash

Comparison of value

The Offer Price of HK\$22.00 represents:

- (a) a premium of approximately 15.18% to the closing price of HK\$19.10 per H Share as quoted on the Stock Exchange on 5 February 2021, being the last trading day prior to the commencement of the Offer Period;
- (b) a premium of approximately 10.89% to the closing price of HK\$19.84 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 10.89% to the average of the closing prices of the H Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$19.84 per H Share;
- (d) a premium of approximately 10.62% to the average of the closing prices of the H Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of HK\$19.89 per H Share;
- (e) a premium of approximate 12.01% to the average of the closing prices of the H Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$19.64 per H Share;
- (f) a premium of approximately 17.30% to the average of the closing prices of the H Shares as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day of HK\$18.76 per H Share;
- (g) a premium of approximately 21.78% to the average of the closing prices of the H Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$18.07 per H Share; and

- (h) a premium of approximately 24.62% over the unaudited consolidated net asset value attributable to Shareholders of approximately RMB14.78 (equivalent to approximately HK\$17.65) per Share (based on (i) the unaudited consolidated net asset value attributable to Shareholders as stated in the interim report of the Company for the six months ended 30 June 2020 published on 23 September 2020; (ii) 69,791,167 Shares in issue as at the date of this announcement; and (iii) the Exchange Rate (as defined below)).

Highest and lowest Share prices

During the six-month period immediately preceding 5 February 2021 (being the commencement date of the Offer Period under the Takeovers Code) up to and including the Last Trading Day, the highest and lowest closing prices of the H Shares as quoted on the Stock Exchange was HK\$42.65 per H Share on 24 August 2020 and HK\$15.72 per H Share on 8 December 2020, respectively.

Conditions of the Share Buy-back Offer and the Voluntary Withdrawal

The Share Buy-back Offer and the Voluntary Withdrawal will be subject to the following conditions being fulfilled:

- (a) the passing of the resolutions in a H Shareholders class meeting to be held in compliance with the Share Buy-backs Code and the Listing Rules approving the Share Buy-back Offer and the Voluntary Withdrawal, provided that:
- (i) the resolutions must be approved by at least 75% of the votes attaching to all the H Shares held by Independent H Shareholders that are cast either in person or by proxy; and
 - (ii) the number of votes cast against the resolutions must not exceed 10% of the votes attaching to all the H Shares held by such Independent H Shareholders;
- (b) the passing of the resolutions in a Domestic Shareholders class meeting to be held in compliance with the Company's articles of association approving the Share Buy-back Offer and the Voluntary Withdrawal, provided that the resolutions must be approved by at least two-thirds (2/3) of the votes of the Domestic Shareholders who attended the meeting in person or by proxy;
- (c) the passing of the resolutions in an extraordinary general meeting for all Shareholders to be held in compliance with the Company's articles of association approving the Share Buy-back Offer and the Voluntary Withdrawal, provided that the resolutions must be approved by at least two-thirds (2/3) of votes of all Shareholders who attended the meeting in person or by proxy;
- (d) minimum valid acceptances of the Share Buy-back Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the 60th day from the date of the Offer Document amounting to at least 90% of the H Shares held by the Independent H Shareholders;
- (e) the approvals from the Executive and the Stock Exchange, including but not limited to, a waiver under Rule 2.2(c) of the Takeovers Code;
- (f) the registration with SAFE in relation to the Share Buy-back Offer remains in full force and effect; and

- (g) the compliance by the Company with the Listing Rules, the Takeovers Code, the Share Buy-back Code, the statutory laws of Hong Kong and the PRC applicable to the Share Buy-back Offer and Voluntary Withdrawal. As at the date of this announcement, the Directors are not aware of the Company not in compliance with the Listing Rules, the Takeovers Code, the Share Buy-back Code and any statutory laws of Hong Kong and the PRC applicable to the Share Buy-back Offer and the Voluntary Withdrawal.

None of the above conditions is waivable and as at the date of this announcement, to the exception of (f) above to the extent that such registration has been completed, none of the other conditions has been fulfilled.

Shareholding of the Company

As at the date of this announcement, save for any Domestic Shares held by the Directors, supervisors or senior management of the Company, or under the direction of such supervisor, i.e. Domestic Shares held by Huashi LP (as defined below), the Company and parties acting in concert with them (including the Directors) do not hold, own, control or have direction over any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code). For further information of the shareholdings of H Shares and the Domestic Shares, please see below the section headed “Shareholdings structure of the Company”.

As at the date of this announcement, the Company has 17,901,167 H Shares in issue. The Company has no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of H Shares and no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement. Taking into account the fact that no parties acting in concert with the Company owned any H Shares (including the Directors), a total of 17,901,167 H Shares will be subject to the Share Buy-back Offer.

As at the date of this announcement, the Company has 51,890,000 Domestic Shares in issue. Taking into account the fact that 32,548,700 Domestic Shares, representing approximately 62.73% of the total number of Domestic Shares and approximately 46.64% of the total issued share capital of the Company, are held by the Directors, supervisors, senior management and parties acting in concert with any of them, such holders of 32,548,700 Domestic Shares will be abstained from voting at the Domestic Shares class meeting and the EGM, whilst a total of 19,341,300 Domestic Shares, representing approximately 37.28% of the total Domestic Shares and 27.71% of the total issued share capital of the Company, will still be eligible to vote at the Domestic Shares class meeting and the EGM.

The Offer Shares to be acquired under the Share Buy-back Offer shall be fully paid and free from any Encumbrance and together with all rights and entitlements attaching or accruing thereto including, without limitation, the right to receive all dividends and other distributions, if any, the record date of which is on or after the date on which the Share Buy-back Offer is made (i.e. the date of the despatch of the Offer Document).

The Company confirms that as at the date of this announcement, (a) it has not declared any dividend, the record date of which falls on or after the expected date of despatch of the Offer Document; and (b) it does not have any intention to make, declare or pay any future dividend or make other distributions until the close of the acceptance period.

Value of the Share Buy-back Offer

As at the date of this announcement, the Company has 17,901,167 H Shares in issue. On the basis of the Offer Price of HK\$22.00 per H Share, the entire market capitalization of H Shares of the Company is valued at approximately HK\$393.83 million. On the assumption that the Share Buy-back Offer is accepted in full by holders of the Offer Shares and the Offer Price being HK\$22.00 per Offer Share, the value of the Share Buy-back Offer is approximately HK\$393.83 million.

Financial resources available for the consideration and the Share Buy-back Offer

The Company intends to finance the cash required for the full acceptance of the Share Buy-back Offer from internal cash resources.

Huatai has been appointed as the financial adviser to the Company in respect of the Share Buy-back Offer and is satisfied that sufficient financial resources are available to the Company to satisfy the consideration payable upon full acceptance of the Share Buy-back Offer.

Effect of accepting the Share Buy-back Offer

By accepting the Share Buy-back Offer, the Shareholders will sell their H Shares to the Company free from any Encumbrance and together with all rights and entitlements attaching or accruing thereto including, without limitation, the right to receive all dividends and other distributions, if any, the record date of which is on or after the date on which the Share Buy-back Offer is made (i.e. the date of the despatch of the Offer Document). The making of the Share Buy-back Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. H Shareholders with registered addresses in jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

Acceptance of the Share Buy-back Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Closing date of the Share Buy-back Offer

The Share Buy-back Offer will initially be open for acceptances for 60 days from the date of the Offer Document. Once all conditions have been satisfied, the Share Buy-back Offer will be declared unconditional in all respects and the Share Buy-back Offer should remain open for acceptance for another 28 days in compliance with the note to Rule 2.2 and Rule 15.3 of the Takeovers Code before the Share Buy-back Offer is closed in order to allow sufficient time for those H Shareholders who have not initially accepted the Share Buy-back Offer to accept the Share Buy-back Offer or to process the transfer of their H Shares.

Completion of the Share Buy-back Offer

If any of the conditions is not satisfied within 60 days from the date of the Offer Document, the Share Buy-back Offer will lapse.

The Company will issue an announcement in relation to the lapse of the Share Buy-back Offer or the fulfilment of the conditions in accordance with the Takeovers Code and the Listing Rules. The latest time on which the Company can declare the Share Buy-back Offer unconditional as to acceptance is 7:00 p.m. on the 60th day after the posting of the Offer Document (or such later date to which the Executive may consent).

Settlement

Settlement of the consideration for the Offer Shares will be made in cash as soon as possible but in any event within seven business days (as defined under the Takeovers Code) following the later of the date on which the Share Buy-back Offer becomes, or is declared, unconditional and the date of receipt by the registrar of the Company of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code.

No fractions of a cent (HK\$) will be payable and the amount of the consideration payable to a Shareholder who accepts the Share Buy-back Offer will be rounded up to the nearest cent (HK\$).

Hong Kong stamp duty

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Buy-back Offer will be payable by relevant H Shareholders at a rate of 0.1% of: (i) the market value of the Offer Shares; or (ii) the consideration payable by the Company in respect of the relevant acceptances of the Share Buy-back Offer, whichever is higher, and will be deducted from the cash amount payable by the Company to the relevant H Shareholder on acceptance of the Share Buy-back Offer. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant H Shareholders accepting the Share Buy-back Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Buy-back Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Taxation advice

H Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Share Buy-back Offer. None of the Company, parties acting in concert with it (including the Directors and Huatai), and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Share Buy-back Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Buy-back Offer.

Overseas H Shareholders

The Company intends to make the Share Buy-back Offer available to all H Shareholders, including the Overseas H Shareholders. However, the Share Buy-back Offer is in respect of securities of a company incorporated in the PRC and is subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions. The Overseas H Shareholders who wish to participate in the Share Buy-back Offer but with a registered address outside Hong Kong may be subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Share Buy-back Offer. The Overseas H Shareholders and beneficial owners of the H Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Share Buy-back Offer.

It is the responsibility of the Overseas H Shareholders and overseas beneficial owners of the H Shares who wish to accept the Share Buy-back Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Buy-back Offer (including the obtaining of any governmental or other consent which may

be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions). Any acceptance by any Overseas H Shareholders and overseas beneficial owners of the H Shares will be deemed to constitute a representation and warranty from such Overseas H Shareholders or overseas beneficial owners of the H Shares, as applicable, to the Company that the local laws and requirements have been complied with. Overseas H Shareholders and overseas beneficial owners of the H Shares should consult their professional advisers if in doubt.

The Independent Financial Adviser

Gram Capital, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, has been appointed by the Company as the Independent Financial Adviser to advise the Independent H Shareholders in respect of the Share Buy-back Offer and the Voluntary Withdrawal and, in particular, as to whether the Share Buy-back Offer is fair and reasonable and as to acceptance of the Share Buy-back Offer pursuant to Rule 2.1 of the Takeovers Code.

Pursuant to Rule 3.3 of the Share Buy-backs Code, no Directors and any persons acting in concert with them will be considered to be independent and therefore no independent board committee will be formed in this case.

Information of the Group

The Company is a joint stock company incorporated in the PRC with limited liability its H Shares have been listed on the Stock Exchange since 2019. The Group is engaged in the manufacture and sales of a wide range of industrial and commercial gas flowmeters, which are generally used by gas operators to measure the flow volume of gas. It is engaged in a comprehensive business integrating research and development, manufacture, sales and aftersales services.

The following table is a summary of certain audited and unaudited consolidated financial information for the six months ended 30 June 2020 and 30 June 2019, and the year ended 31 December 2019, as extracted from the annual report and the interim report of the Company for the respective periods:

	For the year ended (Audited) 31 December 2019 RMB'000	For the six months ended (Unaudited) 30 June 2020 RMB'000		30 June 2019 RMB'000
Revenue	484,260	142,931		199,797
Profit before income tax	160,959	31,069		74,534
Income tax	(20,979)	(3,637)		(10,269)
Profit for the period/year attributable to equity holders of the Company	136,532	28,166		63,369

The unaudited consolidated total assets and net assets of the Group as at 30 June 2020 was approximately RMB1,357.22 million (which includes non-current assets of approximately RMB131.95 million (with property, plant and equipment making up a substantial part of it) and current assets of approximately RMB1,225.27 million (with trade receivables and other financial assets at amortized cost and prepayments and cash and cash equivalents making up a substantial part of it) and RMB1,031.29 million, respectively.

Shareholdings Structure of the Company

Set out below is the shareholding structure of the Company in terms of voting rights attached to the Shares, as at the date of this announcement and upon completion of the Share Buy-back Offer:

	Class of Shares	As at the date of this announcement			Upon completion of the Share Buy-back Offer
		No. of Shares	Approximate % of relevant class of share capital (%)	Approximate % in the total share capital of the Company (%)	Approximate % in the total share capital of the Company (%)
ZS Capital Fund SPC (Note 1)	H Shares	4,923,800	27.51	7.06	0
Mr. Shao Shun (邵順) (Note 1)	H Shares	2,408,000	13.45	3.45	0
Other H Shareholders	H Shares	10,569,367	59.04	15.14	0
Sub-total	H Shares	17,901,167	100	25.65	0
Mr. Hong Zuobin (洪作斌) (Note 2)	Domestic Shares	9,253,400	17.83	13.26	17.83
Mr. Huang Youliang (黃友良) (Note 2)	Domestic Shares	6,697,900	12.91	9.60	12.91
Jin Wensheng (金文勝) (Note 2)	Domestic Shares	1,604,000	3.09	2.30	3.09
Zhang Shengyi (章聖意) (Note 2)	Domestic Shares	2,005,100	3.86	2.87	3.86
Yin Xingjing (殷興景) (Note 2)	Domestic Shares	1,710,700	3.30	2.45	3.30
Lin Zichan (林姿嬋) (Note 2)	Domestic Shares	1,710,700	3.30	2.45	3.30
Lin Zhongzhu (林中柱) (Note 2)	Domestic Shares	729,500	1.41	1.05	1.41
Fan Zefeng (范則鋒) (Note 3)	Domestic Shares	1,420,000	2.74	2.03	2.74
Xie Shangpeng (謝尚鵬) (Note 3)	Domestic Shares	960,000	1.85	1.38	1.85
Zhou Xiaoding (周孝定) (Note 3)	Domestic Shares	920,000	1.77	1.32	1.77
Ye Sigong (葉思共) (Note 3)	Domestic Shares	368,000	0.71	0.53	0.71
Huang Xijun (黃希俊) (Note 3)	Domestic Shares	98,200	0.19	0.14	0.19
Lin Jingdian (林景殿) (Note 3)	Domestic Shares	159,200	0.31	0.23	0.31
Cangnan County Huashi Investment Management Enterprise (LP) (“Huashi LP”) (Note 4)	Domestic Shares	4,912,000	9.47	7.04	9.47
Cangnan County Changhua Investment Management Enterprise (LP) (“Changhua LP”) (Notes 1 and 5)	Domestic Shares	4,830,000	9.31	6.92	9.31
Cangnan County Dongxing Investment Management Enterprise (LP) (“Dongxing LP”) (Notes 1 and 6)	Domestic Shares	4,741,000	9.14	6.79	9.14

	Class of Shares	As at the date of this announcement			Upon completion of the Share Buy-back Offer
		No. of Shares	Approximate % of relevant class of share capital (%)	Approximate % in the total share capital of the Company (%)	Approximate % in the total share capital of the Company (%)
Cangnan County Cangyi Investment Management Enterprise (LP) (“Cangyi LP”) (Notes 1 and 7)	Domestic Shares	4,699,000	9.06	6.73	9.06
Other Domestic Shareholders	Domestic Shares	5,071,300	9.77	7.27	9.77
Sub-total	Domestic Shares	51,890,000	100	74.35	100
Total		69,791,167		100	100

Note:

1. Save for being a shareholder of the Company, each being an independent third party of the Company.
2. Each being a Director.
3. Each being a supervisor or senior management of the Company (classified in accordance with the prospectus of the Company dated 19 December 2018 and the articles of association of the Company).
4. Huashi LP is a limited partnership set up under the laws of the PRC pursuant to the partnership agreement dated 6 February 2017, the sole general partner of Huashi LP appointed under the relevant partnership agreement is Lin Jingdian (林景殿) (a supervisor of the Company under Note 3) and he is entitled to exercise the full voting power of Huashi LP on behalf of the remaining 31 limited partners. Huashi LP is deemed to be a party acting in concert with the Company.
5. Changhua LP is a limited partnership set up under the laws of the PRC pursuant to the partnership agreement dated 6 February 2017, the sole general partner of Changhua LP appointed under the relevant partnership agreement is Huang Chaochuan (黃朝川) (a heat meter workshop manager of the Company) and he is entitled to exercise the full voting power of Changhua LP on behalf of the remaining 30 limited partners.
6. Dongxing LP is a limited partnership set up under the laws of the PRC pursuant to the partnership agreement dated 6 February 2017, the sole general partner of Dongxing LP appointed under the relevant partnership agreement is Tang Liangtao (唐良濤) (a manager of one of the subsidiaries of the Group) and he is entitled to exercise the full voting power of Dongxing LP on behalf of the remaining 32 limited partners.
7. Cangyi LP is a limited partnership set up under the laws of the PRC pursuant to the partnership agreement dated 6 February 2017, the sole general partner of Cangyi LP appointed under the relevant partnership agreement is Li Longqin (李龍琴) (a deputy manager of one of the subsidiaries of the Group) and she is entitled to exercise the full voting power of Cangyi LP on behalf of the remaining 31 limited partners.

Intentions of the Company

It is the Company's intention to buy-back its H Shares to privatize and delist from the Stock Exchange pursuant to the Share Buy-back Offer. The intention is driven by (i) the low trading volume and limited liquidity of its H Shares making it difficult for the Company to conduct fund raising exercises effectively offshore; (ii) the outlook of the Company's business prospects amidst the impact of COVID-19; and (iii) the long-term investment returns for H Shareholders; and (iv) the delisting of H Shares will further help the Company to save cost and expenses associated with regulatory compliance. Notwithstanding the above, the Company has not identified any investment or business opportunities, nor did they enter into any discussions or negotiations with any third parties regarding the injections of assets or business into, or disposals of assets or business of the Group.

The Company has no intention to introduce major changes to the existing operation and business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. The Company has no plan to terminate the employment of any employees or personnel of the Group or introduce any significant changes to the management of the Group following the delisting. However, subject to the results of the review regarding the business and financial position of the Group, the Company reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to increase the value of the Group.

Dealing Disclosure

None of the Company, or parties acting in concert with it (including the Directors) has dealt in the H Shares. Domestic Shares or other options, derivatives, warrants or other securities convertible into Shares during the six-month period immediately preceding 5 February 2021 (being the commencement date of the Offer Period under the Takeovers Code).

In accordance with Rule 3.8 of the Takeovers Code, associates (as defined under the Takeovers Code) of the Company (including persons who own or control 5% or more of any class of relevant securities issued by the Company) are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

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

“Responsibilities of stockbrokers, banks and other intermediaries

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

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

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

Other Arrangements

The Company confirms that, as at the date of this announcement:

- (i) save for the Shares set out in the shareholding table under the section headed “Shareholdings structure of the Company” above, the Company and parties acting in concert with the Company (including the Directors) have no other Shares, warrants, options, derivative or other securities that are convertible or exchangeable into Shares;
- (ii) save for the Shares set out in the shareholding table under the section headed “Shareholdings structure of the Company” above, the Company and parties acting in concert with the Company (including the Directors) do not own, control or have direction over any voting rights in any Shares nor own, control or have direction over any other rights or interests in the issued share capital or voting rights of the H Shares of the Company;
- (iii) there are no outstanding derivatives in respect of the securities in the Company which is owned, controlled or directed by, or has been entered into by, the Company or parties acting in concert with any of the Company (including the Directors);
- (iv) save for the irrevocable undertakings given by the Domestic Shareholders, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares of the Company which might be material to the Share Buy-back Offer;
- (v) save for the irrevocable undertakings given by the Domestic Shareholders, the Company and parties acting in concert with it (including the Directors) have not received any irrevocable commitment to accept or reject the Share Buy-back Offer;
- (vi) there is no agreement or arrangement to which the Company is a party which relates to circumstances in which the Company may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-back Offer;
- (vii) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Company and parties acting in concert with the Company (including the Directors) have borrowed or lent;
- (viii) no benefit (other than statutory compensation) was or would be given to any Directors as compensation for loss of office or otherwise in connection with the Share Buy-back Offer;
- (ix) there was no agreement, arrangement, or understanding (including any compensation arrangement) existed between the Company and any Directors, recent directors, Shareholders or recent Shareholders having any connection with or which was dependent upon the Share Buy-back Offer;

- (x) save for the consideration for the Share Buy-back Offer and compensation in the form of monthly wages (in the case of Shareholders who are also employees of the Group), there is no other consideration, compensation or benefits in whatever form provided (or to be provided) by the Company or parties acting in concert with the Company (including the Director) to the Shareholders;
- (xi) there is no understanding, arrangement or agreement which constitutes a special deal between the Company or parties acting in concert with the Company (including the Directors) on one hand and the Shareholders on the other hand;
- (xii) there is no understanding, arrangement or agreement or a special deal between any Shareholder and the Company, their ultimate beneficial owners and/or their respective concert parties (including the Directors); and
- (xiii) there is no understanding, arrangement or agreement or special deal between any Shareholders on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

Despatch of the Offer Document

The Company will set out in the Offer Document, among other things, (i) the details of the Share Buy-back Offer and the Voluntary Withdrawal (including the expected timetable and terms of the Share Buy-back Offer and the Voluntary Withdrawal); and (ii) a letter of advice from Gram Capital in relation to the Share Buy-back Offer and the Voluntary Withdrawal, together with the relevant proxy form(s) and form(s) of acceptance and transfer. The Offer Document, together with notices of general meeting and class meetings, will be issued and despatched by the Company to the Shareholders in accordance with the Takeovers Code, within 21 days from the date of this announcement or such later date as the Executive may approve. According to the Company's articles of association, 45 days' notice must be given before any general meeting or class meetings could be held.

The Independent H Shareholders are encouraged to read the Offer Document carefully, including the letter of advice from Gram Capital, as to determine whether the terms of the Share Buy-back Offer and the Voluntary Withdrawal are fair and reasonable and as to the acceptance of the Share Buy-back Offer or voting, before deciding whether or not to accept the Share Buy-back Offer and how to vote. Further announcement(s) will be made when the Offer Document is despatched.

WARNING

The Share Buy-back Offer is conditional upon the satisfaction of the conditions as described in this announcement. Accordingly, the Share Buy-back Offer may or may not become unconditional and the issue of this announcement does not imply that the Share Buy-back Offer or the Voluntary Withdrawal will be completed. The Directors strongly recommend the Independent H Shareholders not to form a view on the Share Buy-back Offer unless and until they have received and read the Offer Document, including the letter of advice from Gram Capital.

H Shareholders and potential investors are advised to exercise caution when dealing in the H Shares during the Offer Period, and if they are in any doubt about their position, they should consult their professional advisers.

Independent H Shareholders should note that if they do not accept the Share Buy-back Offer and such offer subsequently becomes unconditional in all respects and the Company delisted from the Stock Exchange, it will result in such shareholders holding securities that are not listed on the Stock Exchange and the liquidity of the H Shares may be severely reduced. In addition, the Company will no longer be subject to the requirements under the Listing Rules and may or may not continue to be subject to the Takeovers Code depending on whether it remains as a public company under the Takeovers Code.

Independent H Shareholders should also note that if they do not agree to the terms of the Share Buy-back Offer, they can vote against the delisting proposal at the meetings. If more than 10% of the disinterested shares voted against the delisting proposal, the Share Buy-back Offer would not become unconditional and the Company would remain listed on the Stock Exchange.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate”	has the same meaning ascribed to it under the Listing Rules or the Takeovers Code (as the case may be)
“Board”	the board of Directors
“Company”	Zhejiang Cangnan Instrument Group Company Limited, a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed and traded on the Stock Exchange (stock code: 1743)
“COVID-19”	Coronavirus disease of 2019
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Domestic Shareholder(s)”	Holder(s) of Domestic Shares
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of, among other things, considering and approving the Share Buy-back Offer and the Voluntary Withdrawal

“Encumbrance”	a charge, debenture, mortgage, pledge, deed of trust, lien, option, equity rights, power of sale, hypothecation, claim, retention of title, right of pre-emption, right of first refusal, or other third party right or security interest of any kind or an agreement or obligation to create any of the above
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed on the Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huatai”	Huatai Financial Holdings (Hong Kong) Limited, licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, the independent financial adviser appointed to advise the Independent H Shareholders in respect of the Share Buy-back Offer and the Voluntary Withdrawal
“Independent H Shareholders”	the H Shareholders other than the Company and parties acting in concert with any of them (including the Directors) and anyone who has a material interest in the Share Buy-back Offer as stipulated under Rule 3.2 of the Share Buy-back Code
“Last Trading Day”	12 March 2021, being the last trading day immediately preceding the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Offer Document”	the Share Buy-back Offer and Voluntary Withdrawal document issued by the Company to the Shareholders in connection with the Share Buy-back Offer and Voluntary Withdrawal in compliance with the Takeovers Code, the Share Buy-back Code and the Listing Rules containing, among other things, details of the Share Buy-back Offer and the Voluntary Withdrawal (accompanied by the form of acceptance and proxy forms for the EGM and class meetings) and the respective letters of advice from the Board and Gram Capital
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and has commenced from 5 February 2021, being the date of commencement of the Share Buy-back Offer period as disclosed in the Rule 3.7 Announcement
“Offer Price”	the price at which the Share Buy-back Offer will be made
“Offer Share(s)”	all the H Share(s) in issue, other than those H Shares already owned or agreed to be acquired by the Company and parties acting in concert to them (including the Directors)
“Overseas H Shareholders”	H Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 3.7 Announcement”	the announcement made by the Company on 5 February 2021 in relation to a possible Share Buy-back Offer under Rule 3.7 of the Takeovers’ Code
“SAFE”	the local bureau of the State Administration of Foreign Exchange
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	H Shares and Domestic Shares
“Share Buy-back Code”	the Code on Share Buy-backs published by the SFC, as amended, supplemented or otherwise modified from time to time

“Share Buy-back Offer”	the share buy-back offer to be made by Huatai, on behalf of the Company, to buy-back H Shares not already owned or agreed to be acquired by the Company and parties acting in concert (including the Directors) with it in accordance with the Takeovers Code
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers published by the SFC, as amended, supplemented or otherwise modified from time to time
“Voluntary Withdrawal”	the proposed conditional voluntary withdrawal of listing of the H Shares from the Stock Exchange which is conditional in accordance with Rule 6.15 of the Listing Rules
“%”	per cent.

By order of the board of directors of
Zhejiang Cangan Instrument Group Company Limited
Mr. HONG Zuobin
Chairman

Hong Kong, 12 March 2021

As at the date of this announcement, the Board of the Company comprises Mr. Hong Zuobin, Mr. Huang Youliang, Mr. Jin Wensheng, Mr. Yin Xinjing, 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.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement contained in this announcement misleading.

*For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.1947 (the “**Exchange Rate**”). The Exchange Rate is used for illustration purposes only and should not be taken as a representation that the HK\$ amount could actually be converted into RMB at that rate, or at all.*