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Zhejiang Cangnan Instrument Group Company Limited

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

(Stock code: 1743)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL AND OPERATION HIGHLIGHTS

- For the year ended 31 December 2020, the revenue of the Group amounted to RMB409.7 million, representing a decrease of 15.4 % as compared with last year.
- For the year ended 31 December 2020, the gross profit of the Group amounted to RMB259.3 million and the gross profit margin of the Group amounted to 63.3%, representing a decrease of 23.3 % and 6.5 % respectively as compared with last year.
- For the year ended 31 December 2020, the total profit attributable to equity holders of the Company amounted to RMB80.0 million, representing a decrease of 41.4 % as compared with last year.
- The Board of Directors proposed that no final dividend shall be distributed for the year ended 31 December 2020.

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Zhejiang Cangnan Instrument Group Company Limited (the “**Company**”) hereby announces the audited consolidated financial results of the Company and its subsidiaries (the “**Group**” or “**we**” or “**us**” or “**our**”) for the year ended 31 December 2020, together with the comparative figures of 2019. The Group’s financial data for the year ended 31 December 2020 set out by the Company in this results announcement is based on the consolidated financial statements prepared according to the International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements under the Hong Kong Companies Ordinance.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	Year ended 31 December	
		2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	3	409,682	484,260
Cost of sales	4	<u>(150,430)</u>	<u>(146,379)</u>
Gross profit		259,252	337,881
Selling and distribution expenses	4	(92,143)	(124,223)
Administrative expenses	4	(62,655)	(76,395)
Net (impairment losses)/reversal of impairment losses on financial assets	9	(12,607)	1,160
Research and development expenses	4	(33,867)	(39,691)
Other income		20,083	45,127
Other gains – net		<u>4,283</u>	<u>8,138</u>
Operating profit		82,346	151,997
Finance income	5	11,907	13,126
Finance expenses	5	<u>(1,801)</u>	<u>(4,164)</u>
Finance income – net		<u>10,106</u>	<u>8,962</u>
Profit before income tax		92,452	160,959
Income tax expenses	6	<u>(10,899)</u>	<u>(20,979)</u>
Profit for the year		<u>81,553</u>	<u>139,980</u>
Attributable to:			
Equity holders of the Company		79,986	136,532
Non-controlling interests		<u>1,567</u>	<u>3,448</u>
		<u>81,553</u>	<u>139,980</u>
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted earnings per share (expressed in RMB per share)	7	<u>1.15</u>	<u>1.96</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	81,553	139,980
Other comprehensive income:	<u>—</u>	<u>—</u>
Total comprehensive income for the year	<u>81,553</u>	<u>139,980</u>
Attributable to:		
Equity holders of the Company	79,986	136,532
Non-controlling interests	<u>1,567</u>	<u>3,448</u>
	<u>81,553</u>	<u>139,980</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Land use rights		31,838	5,898
Property, plant and equipment		84,934	71,567
Intangible assets		190	–
Right-of-use assets		1,235	354
Deferred income tax assets		24,164	23,014
Prepayment		100,000	–
Financial assets at fair value through other comprehensive income		100	100
Restricted cash		26,318	19,268
		<u>268,779</u>	<u>120,201</u>
Current assets			
Trade receivables and other financial assets at amortised cost and prepayments	9	448,191	524,124
Inventories		115,387	127,741
Restricted cash		28,558	25,879
Term deposits		50,000	–
Cash and cash equivalents		503,767	593,279
		<u>1,145,903</u>	<u>1,271,023</u>
Total assets		<u>1,414,682</u>	<u>1,391,224</u>
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		69,791	69,791
Other reserves		499,822	499,822
Retained earnings		499,446	461,335
		<u>1,069,059</u>	<u>1,030,948</u>
Non-controlling interests		<u>15,310</u>	<u>15,171</u>
Total equity		<u>1,084,369</u>	<u>1,046,119</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Non-current liabilities			
Deferred income		<u>125</u>	<u>305</u>
Current liabilities			
Trade and other payables	<i>10</i>	133,976	153,280
Current income tax liabilities		32,496	39,748
Borrowings		76,800	66,650
Lease liabilities		1,252	363
Deferred income		180	180
Warranties provision		5,560	6,042
Provisions for other liabilities and charges		79,924	78,537
		<u>330,188</u>	<u>344,800</u>
Total liabilities		<u>330,313</u>	<u>345,105</u>
Total equity and liabilities		<u>1,414,682</u>	<u>1,391,224</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated on September 15, 1982 in the People's Republic of China (the "PRC") with limited liability under the Company Law of the PRC. The address of its registered office is Industrial Zone, Cangnan County, Wenzhou City, Zhejiang Province, the PRC. The Company was originally incorporated under the name of Zhejiang Cangnan Instrument Group Limited (浙江蒼南儀錶集團有限公司) with registered capital of RMB51,890,000.

On 13 June 2017, the Company was converted into a joint stock company with limited liability with registered capital of RMB51,890,000. Following the conversion, the Company was renamed as Zhejiang Cangnan Instrument Group Company Limited (浙江蒼南儀錶集團股份有限公司).

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 4 January 2019.

The Company does not have any controlling shareholders.

The Company and its subsidiaries (together the "Group") are principally engaged in the manufacturing and sales of gas metering instruments and other related products in Cangnan County, Zhejiang Province, the PRC.

The financial statements are presented in Renminbi Yuan (RMB), unless otherwise stated.

2 BASIS OF PREPARATION

(i) Compliance with IFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- financial assets at fair value through other comprehensive income – measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

(iv) **New and amended standards not yet adopted**

Certain new accounting standards and amendments have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendment to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost to Fulfilling a Contract	1 January 2022
Amendments to Annual Improvements Project	Annual Improvements 2018 – 2020 Cycle	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023

The Company's directors have performed an assessment on these new standards, amendments and interpretations, and have concluded on a preliminary basis that these new standards, amendments and interpretations are not expected to have a significant impact to the Group in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE AND SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (the "CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions. The Group's internal reporting does not distinguish financial results between segments and reports financial results of the Group as a whole. Hence, the Group has only one reporting segment.

Revenue by product categories are analysed as below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Industrial and commercial gas flowmeter products	340,269	402,440
Residential gas meter products	44,356	56,687
Nuclear-related products	21,831	21,617
Maintenance services	3,226	3,516
	409,682	484,260

Revenue by geographical areas are analysed as below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
The PRC	407,677	480,847
Other countries	2,005	3,413
	<u>409,682</u>	<u>484,260</u>

No customer contributed more than 10% of the Group's total revenue for the year ended 31 December 2020.

Customers contributing more than 10% of the Group's total revenue for the year ended 31 December 2019 are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Customer 1	*	11%
Customer 2	*	10%

* less than 10%

4 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	26,383	(40,047)
Raw materials and consumables used	96,559	150,125
Employee benefits expense	77,345	90,059
Sales service fee	35,703	67,407
Travel and office expenses	11,493	18,911
Depreciation and amortization	12,298	12,678
Utilities	3,186	3,500
Commission	2,910	5,782
Warranties provision	8,357	5,509
Transportation expenses	4,929	5,964
Costs for the moulds used in research and development and the design of new products	6,812	7,150
Promotion costs	6,775	6,665
Professional service fee	9,121	10,804
Real estate tax, stamp duty and other taxes	272	730
Auditor's remuneration – Audit service	4,395	4,767
Other expenses (*)	32,557	36,684
	<u>339,095</u>	<u>386,688</u>

* Other expenses mainly consist of repair and maintenance expenses, packaging expenses, outsourced production costs, insurance fees and other miscellaneous expenses.

5 FINANCE INCOME – NET

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Finance income:		
– Interest income	<u>11,907</u>	<u>13,126</u>
Finance expenses:		
– Interest expense on loans and provisions for legal claims	(3,164)	(3,593)
– Interest expense on leases	(47)	(39)
– Provisions: unwinding of discounts	–	(532)
Amount capitalised	<u>1,410</u>	<u>–</u>
Finance expenses expensed	<u>(1,801)</u>	<u>(4,164)</u>
Finance income – net	<u><u>10,106</u></u>	<u><u>8,962</u></u>

6 INCOME TAX EXPENSES

The applicable enterprise income tax rate for Mainland China enterprises is 25%, with the exception of any preferential treatments received, such as the 15% preferential tax rate that the Company and its subsidiaries can enjoy as a result of their qualification as a High and New Technology Enterprise (“HNTE”) until their expiration (the Company: until 2020, Zhejiang Dongxing Software Development Limited: from 2019 to 2021, Dongxing Energy Technology Limited and Dongxing Intelligence Instrument Limited: from 2018 to 2020).

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax	12,049	17,971
Deferred income tax	<u>(1,150)</u>	<u>3,008</u>
Total income tax expenses	<u><u>10,899</u></u>	<u><u>20,979</u></u>

(a) PRC enterprise income tax (“EIT”)

EIT is provided on the assessable income of entities within the Group incorporated in the PRC. The applicable EIT tax rate is 25% for the year ended 31 December 2020 (2019: 25%) except for the entities eligible for HNTE as discussed above.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before income tax	<u>92,452</u>	<u>160,959</u>
Applicable tax rates	25%	25%
Tax calculated at applicable tax rate	23,113	40,240
Tax effects of:		
Expenses not deductible for tax purposes	1,164	2,227
Additional deduction of research and development expenses (*)	(6,111)	(7,501)
Tax effect from HNTE qualification	<u>(7,267)</u>	<u>(13,987)</u>
Income tax expenses	<u><u>10,899</u></u>	<u><u>20,979</u></u>

* According to a policy promulgated by the State Tax Bureau of the PRC, enterprises engaged in research and development activities are entitled to claim 175% of the research and development expenses so incurred in a year as tax deductible expenses in determining its taxable profits for that year ("Super Deduction"). The Company and its subsidiaries are entitled to claim the Super Deduction in ascertaining the taxable profit for the year ended 31 December 2020 (2019: same).

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares in issue or deemed to be in issue during the year ended 31 December 2020. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The fully diluted earnings per share for the year ended 31 December 2020 (2019: same) is the same as the basic earnings per share as there is no dilutive potential share during the year ended 31 December 2020.

	Year ended 31 December	
	2020	2019
Profit attributable to the equity holders of the Company (<i>RMB'000</i>)	79,986	136,532
Weighted average number of shares in issue or deemed to be in issue (<i>in thousands</i>)	<u>69,791</u>	<u>69,601</u>
Basic and diluted earnings per share (<i>RMB</i>)	<u><u>1.15</u></u>	<u><u>1.96</u></u>

8 DIVIDENDS

(i) The dividends declared by the Company in the years ended 31 December 2020 and 2019 were RMB41,875,000 and RMB55,833,000 respectively.

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Dividends declared and paid	<u>41,875</u>	<u>55,833</u>

(ii) Dividends not recognised at the end of the reporting period

At the meeting of the directors of the Company held on 25 March 2021, the directors proposed that no final dividend shall be distributed for the year ended 31 December 2020 (2019: a final dividend of RMB0.6 per ordinary share), which is subject to the approval by the shareholders in general meeting. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 31 December 2020, but not recognised as a liability at year end, is around RMB0 (2019: RMB41,875,000).

9 TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTISED COST AND PREPAYMENTS

	As at 31 December	
	2020	2019
	RMB'000	<i>RMB'000</i>
Trade receivables – third parties	430,820	454,793
Less: Loss allowance	(62,687)	(50,101)
	<hr/>	<hr/>
Trade receivables – net	368,133	404,692
Notes receivable	35,626	60,441
Prepayments	107,982	18,091
Interest receivable	2,200	5,384
Other financial assets at amortised cost	34,377	35,622
Less: Loss allowance	(127)	(106)
	<hr/>	<hr/>
Other financial assets at amortised cost – net	34,250	35,516
	<hr/>	<hr/>
Total	548,191	524,124
Less: non-current portion of prepayments (a)	(100,000)	–
	<hr/>	<hr/>
Current portion	448,191	524,124
	<hr/> <hr/>	<hr/> <hr/>

- (a) The amount represented the prepayment made by the Group to invest in Wenzhou Yongrun Investment Partnership (Limited Partnership) (“Wenzhou Yongrun”). On 11 December 2020, the Company entered into a limited partnership agreement with other partners to invest in Wenzhou Yongrun. The contribution from the Company was RMB100,000,000. As of 31 December 2020, the requisite procedures of the capital contribution was still in progress and the Company did not obtain the rights and obligations of a limited partner of Wenzhou Yongrun. As a result, the Group recognised the payment for this investment as a prepayment as of 31 December 2020.

As at 31 December 2020 and 2019, the carrying amounts of trade receivables and other financial assets at amortised cost approximated their fair values due to short maturity.

Customers who are given credit are generally granted with credit terms within 3 months.

The aging analysis of trade receivables based on invoice date was as follows:

	As at 31 December	
	2020	2019
	RMB'000	<i>RMB'000</i>
Within 1 year	322,937	360,518
1 year to 2 years	44,149	40,471
2 years to 3 years	18,562	12,174
Over 3 years	45,172	41,630
	<hr/>	<hr/>
	430,820	454,793
	<hr/> <hr/>	<hr/> <hr/>

The closing loss allowances for trade receivables as at 31 December 2020 reconcile to the opening loss allowances of the Group was as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	50,101	51,272
Increase in loss allowance recognised in profit or loss during the year	24,021	16,609
Unused amounts reversed	(11,435)	(17,780)
	<hr/>	<hr/>
At end of year	62,687	50,101
	<hr/> <hr/>	<hr/> <hr/>

10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables – third parties (a)	49,486	58,987
Taxes payable	41,244	33,664
Notes payable	–	764
Advances from customers	2,622	4,543
Salaries and bonuses payable	451	725
Interests payable	108	79
Advances from employees for sundry expenses	4,452	5,963
Sales service fee payable	6,694	32,694
Sales commission payable	3,218	4,319
Construction payable	15,000	–
Others	10,701	11,542
	<hr/>	<hr/>
	133,976	153,280
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of trade and other payables approximated their fair values.

(a) Trade payables

As at 31 December 2020, the aging analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	43,785	54,075
1 year to 2 years	2,169	2,487
2 years to 3 years	1,506	721
Over 3 years	2,026	1,704
	<hr/>	<hr/>
	49,486	58,987
	<hr/> <hr/>	<hr/> <hr/>

11 EVENTS AFTER THE BALANCE SHEET DATE

(a) Construction contract related to Cangnan Instrument Industrial Park

In January 2021, the Company entered into a construction contract with a contractor for the construction of the Cangnan Instrument Industrial Park, in the normal course of the Company's expansion, with a total amount of RMB130,330,000.

(b) Possible H shares buy-back

On February 5, 2021, the Company held a board meeting, whereby the board of directors have resolved to repurchase all the issued H shares in the share capital of the Company (the "H Shares"), at a minimum indicative offer price of HK\$22.00 per H Share (the "Indicative Offer Price") (the "Possible Share Buy-back"). Such Indicative Offer Price is disclosed in accordance with the requirement of the local bureau of the State Administration of Foreign Exchange in the People's Republic of China ("SAFE").

The Possible Share Buy-back, which may or may not proceed, is subject to, among others, the registration to be made by the Company with the local SAFE and compliance with the applicable provisions under the Listing Rules, the Takeovers Code and The Code on Share Buy-backs (the "Share Buy-backs Code"), including but not limited to approval of shareholders of the Company. If the Possible Share Buy-back materializes, such H Shares will be repurchased by the Company and the Company will be delisted from the Stock Exchange. As a result, the Company will be privatized pursuant to the Takeovers Code and the Share Buy-backs Code.

(c) Cancellation of investment in Wenzhou Yongrun

On 17 March 2021, the Company entered into a cancellation agreement of investment to Wenzhou Yongrun with other partners, whereby the investment of Wenzhou Yongrun is withdrawn and the Company is entitled to receive its prepayment for investment of RMB100,000,000. Pursuant to the cancellation agreement, the Company received the prepayment for investment of RMB100,000,000 on 17 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Industry Overview

In recent years, the continuous development of China's economy, the adjustment of national energy structure, the orderly advancement of urbanization and the focus on environmental protection issues have driven demand for natural gas. Since 2020, the growth of natural gas demand has slowed down significantly due to multiple factors, such as the outbreak of COVID-19, which has exerted a significant negative impact on China's economic and social development and energy development, the increasing downward pressure of macro economy and the weakening of the "coal to gas" strategy in northern China. According to the comprehensive forecast results in China Natural Gas Development Report (2020), the natural gas consumption in China was about 320 billion cubic meters in 2020, with an increase of about 13 billion cubic meters from 2019.

The year of 2020 was the decisive year for China's Three-year Blue Sky Protection Campaign. The Central Economic Work Conference has set "implementing action plan for peaking carbon dioxide emissions and ensuring carbon neutrality" as one of the key tasks in 2021. China is increasing its national determined contribution, with an aim to peak its carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060. At present, there is a generally relaxed international supply and demand of natural gas, the domestic capacity to increase storage and production has been significantly enhanced, and the gas supply security capacity is further improved. The new industries, new models and new forms of business spawned and promoted by the pandemic has provided favorable environment for the rapid development of natural gas.

II. Business Overview

The Company is a leading manufacturer of industrial and commercial gas flowmeters in China. Leveraging over 40 years of industry experience, we are dedicated to the manufacture and sales of a wide range of industrial and commercial gas flowmeters products, which are generally used by gas operators to measure the flow volume of gas. We engage in a comprehensive business, integrating R&D, manufacture, sales and aftersales services. In 2020, our revenue from the sales of industrial and commercial gas flowmeter products amounted to RMB340.3 million.

Through an extensive sales network covering most provinces in China, the Company mainly sells our industrial and commercial gas flowmeters to gas operators in China. Our major customers include certain leading enterprise groups of the gas industry in China. We have established long-term and stable relationships with our major customers. In particular, three leading gas conglomerates in China have consistently been among our top five customers over the past few years. As of 31 December 2020, we have maintained business relationships with these customers for 10 to 16 years. In 2020, the sales to our top five customers accounted for approximately 29.6% of our revenue in the same period.

The following table sets out a breakdown of our sales by product category in 2020:

	Income <i>(RMB' 000)</i>	Cost <i>(RMB' 000)</i>	Gross profit <i>(RMB' 000)</i>
Industrial and commercial gas flowmeter products	340,269	105,451	234,818
Residential gas meter products	44,356	33,451	10,905
Nuclear-related products	21,831	10,738	11,093
Maintenance services	3,226	790	2,436
Total	409,682	150,430	259,252

The following table sets out a breakdown of our revenue by region in 2020 and 2019:

	2020 <i>(RMB' 000)</i>	2019 <i>(RMB' 000)</i>
China	407,677	480,847
North China	77,294	99,504
East China	166,295	204,498
Southwest China	36,755	40,239
South China	32,973	33,409
Central China	18,936	24,040
Headquarters	45,733	43,721
Northeast Region	19,833	23,746
Northwest China	9,858	11,690
Overseas	2,005	3,413
Total	409,682	484,260

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL POSITION AND OPERATING RESULTS

1. *Overview*

The Group's revenue decreased RMB74.6 million from RMB484.3 million in 2019 to RMB409.7 million in 2020; the Group's profit amounted to RMB81.6 million in 2020, representing a decrease of RMB58.4 million as compared with the same period of 2019 of RMB140.0 million; profit attributable to the equity holders of the Company amounted to RMB80.0 million for the year ended 31 December 2020, representing a decrease of RMB56.5 million as compared with the same period of 2019 of RMB136.5 million; the cash and cash equivalents of the Group decreased by RMB89.5 million from RMB593.3 million as at 31 December 2019 to RMB503.8 million as at 31 December 2020; the Group's total assets increased by RMB23.5 million from RMB1,391.2 million as at 31 December 2019 to RMB1,414.7 million as at 31 December 2020. The total liabilities of the Group decreased by RMB14.8 million from RMB345.1 million as at 31 December 2019 to RMB330.3 million as at 31 December 2020. Return on total assets of the Group in 2020 was 5.8% compared to 10.1% in 2019.

2. *Operating Results*

2.1. *Revenue*

Our revenue decreased by RMB74.6 million from RMB484.3 million in 2019 to 409.7 million in 2020, which was mainly because the consumption demand in the natural gas industry in the current period has been significantly affected by the COVID-19 outbreak and the macroeconomic situation. The industrial and commercial as well as power generation gas use has been suppressed, intensifying the oversupply situation, the price of gas in major markets has fallen, and the budget for new installation and renovation of gas companies' industrial and commercial flowmeters has been substantially reduced, which has a relatively great impact on the Company's performance. Our sales of nuclear-related products increased by 0.9% from RMB21.6 million in 2019 to RMB21.8 million in 2020.

2.2. *Cost of sales*

Our cost of sales increased by 2.7% from RMB146.4 million in 2019 to RMB150.4 million in 2020, which was mainly because product structure has been upgraded in the current period, EVC component has been upgraded, and the purchase prices of the main materials of integrated circuit and aluminum ingot have increased due to the impact of the COVID-19 outbreak, which has increased the cost of materials, resulting in an increase in the cost of sales.

2.3. Gross profit

Our gross profit decreased by 23.3% from RMB337.9 million in 2019 to RMB259.3 million in 2020, and our gross profit margin decreased from 69.8% in 2019 to 63.3% in 2020, which was mainly because the decrease in sales revenue and the increase in cost of sales in the current period led to a decrease in gross profit. In addition, sales prices have been appropriately lowered in order to maintain market share as market competition is fierce, resulting in a decrease in gross profit margin.

2.4. Selling and distribution expenses

Our selling and distribution expenses decreased by 25.8% from RMB124.2 million in 2019 to RMB92.1 million in 2020, which was mainly because sales volume in the current period decreased and sales and distribution services to customers reduced due to the impact of the COVID-19 outbreak, resulting in a decrease in selling expenses.

2.5. Administrative expenses

Our administrative expenses decreased by 17.9% from RMB76.4 million in 2019 to RMB62.7 million in 2020, which was mainly due to the decrease of employee benefits expense and travel expenses.

2.6. Net (impairment losses)/reversal of impairment losses on financial assets

For the year ended 31 December 2020, the Group's net impairment losses on financial assets amounted to RMB12.6 million, while the net reversal of impairment losses on financial assets in 2019 amounted to RMB1.2 million. The net impairment losses on financial assets in 2020 were mainly because market condition has been sluggish this year affected by the COVID-19 outbreak, and some merchants have slowed their payments, especially payment of long-age trade receivables has worsened.

2.7. Research and development expenses

Our research and development expenses decreased by 14.6% from RMB39.7 million in 2019 to RMB33.9 million in 2020, which was mainly because investment in some R&D projects decreased and salary of R&D personnel slightly decreased due to the impact of the COVID-19 outbreak in the current period.

2.8. Other income

Our other income decreased by 55.4% from RMB45.1 million in 2019 to RMB20.1 million in 2020, which was mainly because the Company received one-off government awards and subsidies in 2019 for its successful listing, but not in this period, resulting in a significant reduction in government subsidies in the current period.

2.9. Other gains – net

Our other gains – net decreased by 46.9% from RMB8.1 million in 2019 to RMB4.3 million in 2020, which was mainly due to the decrease in reversal of guarantee losses in the current period.

2.10. Operating profit

Our operating profit decreased by 45.9% from RMB152.0 million in 2019 to RMB82.3 million in 2020, which was mainly due to decrease in revenue and government subsidies in the current period.

2.11. Finance income – net

Our finance income – net increased by 12.2% from RMB9.0 million in 2019 to RMB10.1 million in 2020, which was mainly due to the decrease in borrowing interest rates, which led to a decrease in interest expenses, resulting in an increase in financial income – net.

2.12. Income tax expenses

Our income tax expenses decreased by 48.1% from RMB21.0 million in 2019 to RMB10.9 million in 2020, which was mainly because profit before tax in the current period decreased, resulting in a decrease in income tax expenses.

2.13. Profit for the year

Based on the above, our profit for the year decreased by 41.7% from RMB140.0 million in 2019 to RMB81.6 million in 2020, which was mainly due to decrease in revenue and government subsidies for the current period, resulting in a decrease in profit for the year.

3. Cash and Cash Equivalents

As at 31 December 2020, cash and cash equivalents of the Group decreased by RMB89.5 million from RMB593.3 million as at 31 December 2019 to RMB503.8 million.

4. Current Assets and Liabilities

As at 31 December 2019, we had net current assets of approximately RMB926.2 million. As at 31 December 2020, we had net current assets of RMB815.7 million, representing a decrease of 11.9% as compared to that as at 31 December 2019, which was mainly due to increase in prepayment for external investment in the current period and increase in cash payment arising from purchase of the land of Cangnan Instrument Industrial Park.

5. Indebtedness

Our borrowings were short-term bank borrowings primarily for our working capital purposes. As at 31 December 2020, our bank loans amounted to RMB76.8 million. We plan to settle our indebtedness primarily by using expected cash generated from operations.

Our provisions for financial guarantee contracts were guarantee for two companies' bank borrowings. As at 31 December 2020, our provisions for financial guarantee contracts amounted to RMB61.3 million.

Our provisions for litigation loss were the loss provided to the litigation claim and the relevant interest accrual. As at 31 December 2020, our provision for litigation loss amounted to RMB18.6 million.

6. Financial Ratio

The following table sets forth certain financial ratios as at the dates and for the period indicated:

	As at or for the year ended 31 December	
	2020	2019
Gearing ratio ⁽¹⁾	0.1	0.1
Current ratio ⁽²⁾	3.5	3.7
Quick ratio ⁽³⁾	3.1	3.3
Return on equity ⁽⁴⁾ (%)	7.5%	13.4%
Return on total assets ⁽⁵⁾ (%)	5.8%	10.1%
Net debt to equity ratio ⁽⁶⁾	-0.4	-0.5
Interest coverage ⁽⁷⁾	52.3	39.7

Notes:

- (1) calculated by dividing total debts, i.e. our borrowings (all of which are short-term bank borrowings) by total equity as at the end of respective year.
- (2) calculated by dividing our current assets by our current liabilities as at the end of the respective year.
- (3) calculated by dividing our current assets minus inventories by our current liabilities as at the end of the respective year.
- (4) equals our net profit for each of the year divided by the closing balance of our total equity as at the end of the respective year, multiplied by 100%.
- (5) equals our net profit for the year divided by the closing balance of our total assets as at the end of the respective year, multiplied by 100%.
- (6) calculated by dividing net debt, being our total borrowings (all of which are short-term bank borrowings) net of cash and cash equivalents and restricted cash by total equity as at the end of respective year.
- (7) equals our profit before finance expenses and tax for each of the year divided by our finance expenses.

7. Significant Investments

On 11 December 2020, under the approval of the Board of Directors, the Company entered into a limited partnership agreement with nine other partners in relation to (among other things) the investment of Wenzhou Yongrun Investment Partnership (limited partnership) (“**Wenzhou Yongrun**”) and the subscription of interests in it. According to the limited partnership agreement, the total subscribed capital of all the partners of the limited partnership is RMB204,000,000, of which the Company (as a limited partner) subscribed for a capital of RMB100,000,000. Wenzhou Yongrun will mainly engage in the investment of the government-guided science and technology innovation funds of Wenzhou, with an aim to achieve investment returns for the partners.

Due to the commercial consideration and arrangement of the Company and after further consideration of the prospect and development of the relevant market, the Company and the other Partners of the Limited Partnership agreed in writing on 17 March 2021 to terminate all the arrangements under the Limited Partnership Agreement (the “**Termination**”). For the details of termination, please refer to the announcement dated 17 March 2021 of the Company.

Except as disclosed above, the Group had no significant investments for the year ended 31 December 2020.

8. *Material Acquisition and Disposal*

The Group had no material acquisition or disposal for the year ended 31 December 2020.

9. *Contingent Liabilities*

(a) Contingent liabilities of the Group

Provision for legal claims has been made for the guarantees provided to third parties and legal disputes with an individual and a company.

(b) Other contingencies of the Group

The Company had another legal proceeding with a company related to payment of goods. According to the judgement by the relevant court, this company was ordered to pay the Company RMB13,644,000 plus relevant interest and the Company was ordered to pay this company RMB2,628,000 plus relevant interest. The enforcement of the judgement of this legal proceeding was suspended in June 2016 as this company filed an application for retrial which has been subsequently rejected by the relevant court. The Company has filed an application for the resumption of enforcement. The Company has not recognised any contingent assets related to this legal proceeding in view of the uncertainty of the outcome at this stage.

Other than the matter as mentioned above, there are no other contingencies which might have a significant impact to the financial statements for the year ended 31 December 2020.

10. *Employees and Remuneration Policy*

As at 31 December 2020, we had 535 full-time employees in China. We enter into individual labor contracts with our employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. In 2020, we incurred employee benefits expenses (including salaries, wages and bonuses, pension and housing fund, medical insurance and other social insurances) of approximately RMB77.3 million, representing approximately 18.9% of our revenue in 2020.

The Group did not have any share option scheme.

We place emphasis on the training of our employees and strive to ensure that our employees are equipped with the required skills and safety knowledge when performing their duties. We believe that adequate training will increase the overall competitiveness of our workforce. We carry out a wide variety of training courses for our employees including induction training, on-the-job training, professional knowledge training and technical skills training. We also engage external consulting and educational institutions to provide training to our employees and periodically dispatch our research and development staff to receive training at academic institutions such as China Jiliang University.

11. Pledge of Assets

The Group's borrowings are partially secured by plant and land use right. As at 31 December 2020, the total net carrying value of assets pledged was RMB7.8 million.

12. Liquidity and Sources of Capital

As at 31 December 2020, the Group's cash and cash equivalents decreased by 15.1% to RMB503.8 million as compared with RMB593.3 million as at 31 December 2019, primarily due to that the cash flow from investing activities was net cash outflow during the period. The main sources of the Group's business capital come from operating activities.

As at 31 December 2020, the Group's borrowings increased by 15.1% to RMB76.8 million from RMB66.7 million as at 31 December 2019. Such borrowings were all short-term borrowings.

13. Capital Structure

The Group monitors the cash flows and cash balance on a regular basis and seeks to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business and its various growth strategies. In the future, the Group intends to finance its operations through cash generated from operating activities, bank and other borrowings. Other than normal bank borrowings that the Group obtained from commercial banks and potential debt financing plans, the Group does not expect to have any material external debt financing plan in the near future.

IV. RISK FACTORS AND RISK MANAGEMENT

1. Foreign Exchange Risks

For our operation in Mainland China, most of our transactions are denominated and settled in RMB. Therefore, our foreign exchange risk is limited. Our exposure to foreign exchange risk is mainly on our cash and cash equivalents. The Group has not purchased forward contracts to hedge the exposure to foreign exchange risk. The Group's trade and other receivables, cash and cash equivalents and trade and other payables in 2020 included foreign currencies and were denominated in HKD, USD or other foreign currencies ("Other Foreign Currencies"). In 2020, the Group did not have any significant foreign exchange risk from operation.

2. *Competitive Risks*

We primarily operate in the gas measurement instrument industry in the PRC. Participants in this market include both domestic and international gas measurement instrument manufacturers. Companies participating in the competition continue to increase capital investment, improve research and development strength and expand production scale. The industry is currently in extremely fierce competition, increasing downward pressure on prices. In the event that we fail to compete effectively or grasp the opportunities arising from the PRC industrial and commercial gas flowmeter market, our market share and profit margin may decline and our business, results of operations and financial condition may be materially and adversely affected.

As for the residential gas meter market, the Company is currently unable to meet certain requirements on its residential gas meter products in certain aspects, such as production scale, track record and brand recognition. In the future capacity competition, the Company may not be able to compete effectively in the market or increase market share.

3. *Expansion Risks*

For the purpose of the Group's future development in satisfying the demands and needs of our customers at home and abroad, we plan to launch the project of Cangnan Instrument Industrial Park, including a sub-project for intelligent gas flowmeter modification and ancillary facilities upgrade, a laboratory for gas flow detection and a platform for gas measurement and transmission through Internet of Things. There is no assurance that our expansion plan will succeed, nor won't any unforeseeable change in the market need give rise to our overcapacity, which in turn may result in material and adverse effect on our business, operating results and financial condition.

4. *Industry Risks*

China has a high dependence on overseas supply of natural gas. Insufficient supply of natural gas may be caused due to domestic natural gas exploitation, natural gas pipeline infrastructure construction, international geopolitics and other factors, which is not conducive to the promotion of the Company's products and services.

5. *Outbreak Risks*

The sudden outbreak of COVID-19 in early 2020 caused certain negative impacts on the Chinese economy, finance, trade, and the industrial chain. For the gas industry, the COVID-19 outbreak caused labor difficulties, rising costs, reduced orders, blocked logistics, and led it into a semi-stagnation state in the short term. In the longer term, the COVID-19 outbreak may continue to have negative impacts on industries such as tourism, catering, commerce, transportation, and exhibitions. At present, COVID-19 is still in pandemic mode worldwide. Although China has achieved good results in the prevention and control of the pandemic, we still need to maintain normal state of pandemic prevention and control for a long time before the "national immunization" is achieved. As a result, China's demand for natural gas will be affected. Due to the above factors, COVID-19 may continue to adversely affect our business, financial position and operating results.

6. *Investment Risks*

With the continuous development and improvement of the Company's operation, in order to enhance the competitiveness in the market and launch new business opportunities business area, the Company invests foreign business from time to time. The implementation of scientific and reasonable investment behavior can promote the development of enterprises , better realize the optimal allocation of enterprise resources and production factors. Although the Company will make scientific prediction and analysis in the process of investment, or employ professional venture capital institutions to manage the investment before and after the investment. If the Company fails to control the risk of the investment project, resulting in the failure of the project operation, it may have an adverse impact on our business, financial situation and operating performance.

V. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

(I) Current Conditions and Future Development Trends of the Development of the Industry

China's natural gas consumption exceeded 300 billion cubic meters in 2019 and is expected to reach 320 billion cubic meters by 2020, with an increase of 127 billion cubic meters or 66% over 2015. The PRC government facilitated further utilization of oil, gas and other clean energy resources on a consistent basis in recent years, which significantly stimulated the market demand for industrial and commercial natural gas flowmeter. During the period of the 13th Five-Year Plan, the government, in tandem, issued a series of guiding documents such as Energy Production and Consumption Revolution Strategy (2016-2030), the 13th Five-Year Plan for Energy Development, Certain Opinions on Promoting the Coordinated and Stable Development of Natural Gas, as well as a series of environmental protection policy documents such as the Action Plan for the Prevention and Control of Air Pollution and the Three-Year Action Plan for Winning the Battle for the Defense of Blue Sky, which determined at the policy level to cultivate natural gas as one of the main energy sources in China. In addition, in order to promote the development of the natural gas industry in the future, it is proposed that the proportion of natural gas in the primary energy consumption structure should reach 15% by 2030. Moreover, the 13th Five-Year Plan also includes instructions on sustainable construction of natural gas network, based on which, the industrial and commercial natural gas flowmeter market will maintain in great demand in the future.

Currently, the industrial and commercial natural gas flowmeter market still faces big challenges, such as large fluctuation of market demand growth, the need for improvement in the infrastructure construction and pipeline transmission and distribution efficiency, and the intense competition from a variety of alternative energy sources, which, together with the deep impact of COVID-19, has led to uncertainties in the industry development. However, the broad prospect of natural gas as a clean energy has not changed, and the optimization and adjustment of China's energy structure for achieving the target of peaking carbon dioxide emissions and ensuring carbon neutrality are maintained. The Company still maintains strong confidence in the future development.

(II) Development Strategy and Planning of the Company

The Company will continue to uphold the operating philosophy of “dedication and integrity and commitment to excellence”, give prominence to innovation-driven development, vigorously strengthen technology and product innovation, and cultivate new points of economic growth with all our strength. We will focus on the national energy development strategy, adhere to the market demand-oriented guidelines, track the development trend of smart gas, accelerate the technological innovation of information, network and intelligent products, realize the optimization and upgrading of product structure, and enhance the core competitiveness.

(III) Business Plan for 2021

- 1. To constantly strengthen the technological and intellectual enabling of key products.*

The Company will value knowledge and creation and invest more in research and development under the principle of mastering core technologies so as to ensure that its key products continue to keep the leading position nationwide. The Company will pay close attention to the development trend of smart gas, accelerate the technological innovation of information, network and intelligent products, and enhance the competitive advantage of the products. The Company will constantly study and explore the application of Iot, 5G and other technologies in the “smart city”, innovate the interactive mode of urban gas, improve user experience, and realize cloud storage, cloud Internet of Things and cloud security. The Company will introduce and adopt new technologies, new processes, new materials and new equipment to continuously seek for breakthrough of key technological bottleneck with an aim to continuously upgrade the product technologies and accumulate the technological reserve for development of new products.

- 2. To proactively explore the market and build a new marketing service system*

The Company will keep abreast of the development trends of the gas industry, strive to capture the opportunities brought by the national energy structure adjustment and environmental governance, and proactively maintain and explore markets. With regard to marketing and strategic promotion, we will embed big data and cloud computing to guide data and cloud service demands, realize scientific allocation of internal resources and full sharing of external resources, and realize intelligent service, so that users’ demands can be mined, identified and met efficiently, accurately and in a timely manner. We will strengthen product sales, technical support and after-sales service, deeply explore the value contained in customer data, enhance user stickiness, and promote the in-depth development of big data to optimize our business model. Focusing on greater regional marketing, the Company will consolidate and use the resources to coordinate and collaborate the development of the entire regional market.

3. *To actively promote intelligent manufacturing and build smart plants*

We will focus on the key link of “Internet+ Manufacturing” and explore the construction of “5G+Smart Plants”, so as to effectively link all stages from orders to research and development, production and product delivery. We will actively promote the strategy of replacing human labor with machines and intelligent manufacturing to optimize cost, efficiency and energy consumption. We will actively promote the construction of intelligent gas flowmeter product transformation and upgrading projects, and promote the deep integration of the new generation of information technology and existing equipment, focusing on intelligent manufacturing. We will vigorously promote intelligent management to achieve real-time interconnection of enterprises, people, equipment and products, so that products can be traced, identified, positioned and managed, and intelligent equipment and production can be realized.

4. *To improve the enterprise management innovation capacity and promote the strategy of talent development*

We will focus on cultivating innovative thinking, with an aim to break through thinking barriers and make innovation an important element of our corporate culture. We will improve the informationization and modernization level of enterprise management, and realize the refinement of enterprise management. We will effectively promote cost reduction and efficiency improvement, and enhance the core competitiveness of the Company. We will create a favorable development environment, strengthen staff skills training at multiple levels and through multiple channels, constantly improve the quality of human resources, and promote people-oriented scientific development and innovative enterprise construction. We will actively introduce all kinds of talents according to the development strategy plan of the Company. We will, centering on building a modern enterprise, establish a talent team that meets the strategic development needs of a modern, innovation-oriented and technology-based enterprise, with a reasonable age structure, a clear hierarchy and a comprehensive professional structure, so as to form a highly intensive talent advantage in the core business areas.

OTHER INFORMATION

I. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a listed company on the Hong Kong Stock Exchange, the Company is committed to maintaining a high standard of corporate governance practices and complies with the provisions of Corporate Governance Code (the “**Code**”) in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Company did not have any material legal action for which the Directors are liable in the year ended 31 December 2020. Each Director has the qualifications and experience necessary for performing duties as a director. The Company has purchased liability insurance for the Directors.

The Company complied with the principles and provisions of the Code in the year ended 31 December 2020, Details of the corporate governance of the Company are set out in the Company's 2020 Annual Report ("2020 Annual Report") to be published in due course.

II. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for all the directors and supervisors dealing in the securities of the Company. Based on the due inquiries to the Directors and Supervisors of the Company, all Directors and Supervisors confirm that: all the Directors and Supervisors strictly complied with the standards set out in the Model Code for the year ended 31 December 2020.

III. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2020.

IV. FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2020 which is subject to the approval by the Shareholders at the annual general meeting of the Company for the year 2020 ("AGM").

As the Company is yet to confirm the date of the AGM, the record date for determining the eligibility to attend and vote at the AGM and the period for closure of register, the Company will upon confirmation thereof announce such details in the notice of the AGM.

V. SCOPE OF WORK ON THE RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this results announcement have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

VI. AUDIT COMMITTEE

The Group's 2020 annual results and the consolidated financial statements for the year ended 31 December 2020 prepared in accordance with the IFRSs have been reviewed by the audit committee of the Company.

VII. UTILISATION OF NET PROCEEDS FROM EQUITY RAISING ACTIVITIES OF INITIAL PUBLIC 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").

Due to (i) the postponement of government approval on the use of land, construction project planning and construction permit; (ii) COVID-19 prevention and control policies; and (iii) other reasons as disclosed in the announcement dated 31 December 2020 of the Company, the Company has not yet used any of the Net Proceeds as at 31 December 2020. The table below sets out the utilisation of net proceeds from equity raising activities for year ended 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

Other than the expected timetable, there is not 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.

VIII. SIGNIFICANT SUBSEQUENT EVENT

Save as disclosed elsewhere in this results announcement, the Group had no other significant subsequent event to be disclosed as of the date of this results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be available on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.zjcnby.com>).

The Company will dispatch in due course to Shareholders the 2020 Annual Report containing all the information as required by the Listing Rules, and publish it on the websites of the Company and the Hong Kong Stock Exchange.

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

Hong Kong, 25 March 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.