

# THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Share Buy-back Offer, this Offer Document and/or the accompanying Form of Acceptance or forms of proxy or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Zhejiang Cangnan Instrument Group Company Limited, you should at once hand this Offer Document and the accompanying Form of Acceptance or forms of proxy to the purchaser(s) or the transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Offer Document should be read in conjunction with the accompanying Form of Acceptance or forms of proxy, the contents of which form part of the terms and conditions of the Share Buy-back Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Offer Document and the accompanying forms, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offer Document and the accompanying forms.



## Zhejiang Cangnan Instrument Group Company Limited (浙江蒼南儀錶集團股份有限公司)

(A joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 1743)

### OFFER DOCUMENT RELATING TO

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



Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Offer Document.

A letter from Huatai containing the Share Buy-back Offer is set out on pages 6 to 14 of this Offer Document. A letter from the Board is set out on pages 15 to 27 of this Offer Document. A letter from Gram Capital containing its advice in relation to the Share Buy-back Offer is set out on pages 28 to 48 of this Offer Document.

The notices convening the EGM and class meetings to be held at Conference Room, 7/F, Building 1, Zhejiang Cangnan Instrument Group Company Limited, Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC on 17 May 2021 at 12:00 noon or any adjournment thereof is set out on pages V-1 to VII-2 of this Offer Document.

Whether or not you are able to attend the EGM and class meetings in person, you are requested to complete and return the enclosed form(s) of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the EGM and H Shareholders Class Meeting or any adjournment thereof to the office of the Share Registrar in Hong Kong, Computershare Hong Kong Investor Services at 17M/F Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the form(s) of proxy will not preclude you from attending and voting at the EGM and class meetings or any adjournment thereof should you so wish. Domestic Shareholders should return those forms to the Board office of the Company at Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC for voting in relation to the EGM and Domestic Shareholders Class Meeting.

Independent H Shareholders should note that if they do not agree to the terms of the Share Buy-back Offer, they can vote against the Share Buy-back Offer and the Voluntary Withdrawal at the H Shareholders Class Meeting. If more than 10% of the disinterested H Shares are voted against the Share Buy-back Offer and the Voluntary Withdrawal at the H Shareholders Class Meeting, the Share Buy-back Offer would not become unconditional and the Company would remain listed on the Stock Exchange.

The procedures for acceptance and settlement of the Share Buy-back Offer and related information are set out in Appendix I to this Offer Document and in the accompanying Form of Acceptance. Acceptances of the Share Buy-back Offer should be received by the Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event by no later than 4:00 p.m. on 31 May 2021 or such later time(s) and/or date(s) as the Company may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Offer Document and/or the accompanying forms to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the paragraph headed "7. Overseas H Shareholders" in Appendix I to this Offer Document before taking any action. It is the responsibility of each Overseas H Shareholder wishing to accept the Share Buy-back Offer to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas H Shareholders are advised to seek professional advice on deciding whether or not to accept the Share Buy-back Offer.

Taking into account the recent development of the pandemic caused by COVID-19, the Company will implement the following prevention and control measures at the EGM and class meetings to protect the Shareholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted for every attending Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue; and
- (ii) every attending Shareholder or proxy is required to wear a surgical mask throughout the EGM and the class meetings; and
- (iii) no refreshments will be served at the EGM and/or the class meetings.

Furthermore, the Company wishes to advise all of its Shareholders, particularly any Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the EGM and/or class meetings as a proxy to attend and vote on any of the resolutions, instead of attending the EGM and/or the class meetings in person.

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the PRC government, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the EGM and/or the class meetings.

1 April 2021

---

## CONTENTS

---

<b>EXPECTED TIMETABLE</b> . . . . .	iii
<b>IMPORTANT NOTICE</b> . . . . .	v
<b>DEFINITIONS</b> . . . . .	1
<b>LETTER FOM HUATAI</b> . . . . .	6
<b>LETTER FROM THE BOARD</b> . . . . .	15
<b>INTRODUCTION</b> . . . . .	15
<b>THE VOLUNTARY WITHDRAWAL</b> . . . . .	16
Reasons for the Share Buy-back Offer and the Voluntary Withdrawal . . . .	19
Conditions of the Share Buy-back Offer and the Voluntary Withdrawal . . .	20
Principal terms of the Share Buy-back Offer . . . . .	21
Further details on the Share Buy-back Offer . . . . .	21
Comparison with the Offer Price . . . . .	21
Shareholding of the Company . . . . .	22
Dividends and Distribution . . . . .	22
Value of the Share Buy-back Offer . . . . .	23
Financial resources available for the consideration and the Share Buy-back Offer . . . . .	23
<b>INDEPENDENT FINANCIAL ADVISER</b> . . . . .	23
<b>INFORMATION OF THE GROUP</b> . . . . .	23
<b>FINANCIAL IMPACT OF THE SHARE BUY-BACK OFFER AND THE VOLUNTARY WITHDRAWAL</b> . . . . .	24
<b>INTENTION OF THE COMPANY</b> . . . . .	25
<b>EGM, H SHAREHOLDERS CLASS MEETING AND DOMESTIC SHAREHOLDERS CLASS MEETING</b> . . . . .	26
<b>PROCEDURES IN DEMANDING A POLL</b> . . . . .	26
<b>ADDITIONAL INFORMATION</b> . . . . .	27
<b>RECOMMENDATION</b> . . . . .	27
<b>LETTER FROM GRAM CAPITAL</b> . . . . .	28
<b>APPENDIX I – FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER</b> . . . . .	I-1
<b>APPENDIX II – FINANCIAL INFORMATION OF THE GROUP</b> . . . . .	II-1

---

## CONTENTS

---

<b>APPENDIX III</b>	<b>-</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP .....</b>	<b>III-1</b>
<b>APPENDIX IV</b>	<b>-</b>	<b>GENERAL INFORMATION OF THE COMPANY .....</b>	<b>IV-1</b>
<b>APPENDIX V</b>	<b>-</b>	<b>NOTICE OF THE EXTRAORDINARY GENERAL MEETING .....</b>	<b>V-1</b>
<b>APPENDIX VI</b>	<b>-</b>	<b>NOTICE OF THE H SHAREHOLDERS CLASS MEETING .....</b>	<b>VI-1</b>
<b>APPENDIX VII</b>	<b>-</b>	<b>NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING .....</b>	<b>VII-1</b>

---

## EXPECTED TIMETABLE

---

*The timetable sets out below is indicative only and may be subject to changes. Any changes to the timetable will be announced by the Company. Unless otherwise expressly stated, all time and date references contained in this Offer Document refer to Hong Kong time and dates.*

Event	Time and Date
Despatch date of this Offer Document and commencement of the acceptance period <sup>(Note 1)</sup> . . . . .	1 April 2021
Latest time for lodging transfer of the H Shares in order to be entitled to attend and vote at the EGM and class meetings . . . . .	4:30 p.m. on 16 April 2021
Closure of register of members of the Company for the determination of entitlements to attend and vote at the EGM and/or the class meetings . . . . .	17 April to 17 May 2021 (both days inclusive)
Last day for return of reply slip for EGM and class meetings <sup>(Note 2)</sup> . . . . .	27 April 2021
Latest time for lodging forms of proxy in respect of the EGM and class meetings <sup>(Note 3)</sup> . . . . .	12:00 noon on 15 May 2021
EGM and class meetings (H Shares and Domestic Shares). . . . .	12:00 noon on 17 May 2021
Date of announcement of the results of the EGM and class meetings on the website of HKEX and the Company ( <a href="http://www.zjcnyb.com">www.zjcnyb.com</a> ) . . . . .	17 May 2021
Reopening of the register of members . . . . .	18 May 2021
First Closing Date . . . . .	31 May 2021
Latest time for acceptance of the Share Buy-back Offer on the First Closing Date <sup>(Note 4)</sup> . . . . .	4:00 p.m. on 31 May 2021
Announcement of the results of the Share Buy-back Offer on the First Closing Date <sup>(Note 5)</sup> . . . . .	By 7:00 p.m. on 31 May 2021
Latest time for the Share Buy-back Offer to become or be declared unconditional as to acceptances (if not already unconditional) . . . . .	7:00 p.m. on 31 May 2021
Latest date for posting of remittances for the amounts due under the Share Buy-back Offer in respect of valid acceptances received at or before the latest time for acceptances of the Share Buy-back Offer on the First Closing Date (assuming the Share Buy-back Offer has become unconditional in all respects on the First Closing Date) <sup>(Note 6)</sup> . . . . .	9 June 2021

---

## EXPECTED TIMETABLE

---

Last day of trading in the H Shares on the Stock Exchange, assuming the Voluntary Withdrawal is approved .....	22 June 2021
Final Closing Date (assuming the Share Buy-back Offer has become unconditional in all respects on the First Closing Date) <sup>(Note 7)</sup> .....	28 June 2021
Latest time for the Share Buy-back Offer remaining opened for acceptance on the Final Closing Date and the closing of the Share Buy-back Offer .....	4:00 p.m. on 28 June 2021
Announcement of the results of the Share Buy-back Offer on the Final Closing Date .....	By 7:00 p.m. on 28 June 2021
Withdrawal of listing becoming effective .....	9:00 a.m. on 5 July 2021
Latest date for posting of remittances for the amounts due under the Share Buy-back Offer in respect of valid acceptances received at or before the latest time for acceptances of the H Shares Offer on the Final Closing Date (assuming the Share Buy-back Offer has become unconditional in all respects on the First Closing Date .....	8 July 2021

*Notes:*

1. The Share Buy-back Offer is made on 1 April 2021, the date of posting of the Offer Document, and is capable of being accepted on and from this date.
2. Reply slips must be submitted at least 20 days before the EGM and the class meetings.
3. For H Shareholders, the proxy forms shall be provided to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, whereas for Domestic Shareholders, the proxy forms shall be provided to the Company instead. Completion and return of a proxy form for the EGM and/or the H Shareholders Class Meeting will not preclude an Independent H Shareholder from attending the EGM and/or the H Share Class Meeting and, as the case may be, voting in person if he/she/it so wishes and if such Independent H Shareholder has notified the Company not less than 48 hours in writing before the time appointed for any adjournment of the EGM and the H Shareholders Class Meeting. In such event, the returned proxy form will be deemed to have been revoked.
4. The procedures for acceptance and settlement of the Share Buy-back Offer and related information are set out in Appendix I to this Offer Document and in the accompanying Form of Acceptance. Acceptances of the Share Buy-back Offer should be received by the Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event by no later than 4:00 p.m. on 31 May 2021 or such later time(s) and/or date(s) as the Company may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.
5. The Company will issue an announcement on the Company's and HKEX's website by 7:00 p.m. on the First Closing Date stating the results of the Share Buy-back Offer and the Voluntary Withdrawal and whether the Share Buy-back Offer has been revised or extended, have expired or have become or been declared unconditional.
6. Remittances in respect of the cash consideration under the Share Buy-back Offer will be posted to the accepting Independent H Shareholders by ordinary post at their own risk as soon as possible but in any event within seven Business Days of the later of the date of receipt by the Share Registrar, of duly completed acceptance, or on the date the Share Buy-back Offer and Voluntary Withdrawal become or are declared unconditional.
7. The Share Buy-back Offer should remain open for acceptance for a longer period than normally required by Rule 15.3 of the Takeovers Code after it has been declared unconditional. At least 14 days' notice in writing must be given before the Share Buy-back Offer is closed to the H Shareholders who have not yet accepted the Share Buy-back Offer. Hence, the latest time to receive acceptances under the Share Buy-back Offer will be 4:00 p.m. on 28 June 2021.

---

## IMPORTANT NOTICE

---

### NOTICE TO H SHAREHOLDERS OUTSIDE HONG KONG

The making of the Share Buy-back Offer to a person with a registered address in a jurisdiction outside Hong Kong may be prohibited or affected by the applicable laws and regulations of the relevant jurisdictions. Overseas H Shareholders should observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Share Buy-back Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Company, the Directors and parties acting in concert with any of them, Huatai, Gram Capital, the Share Registrar, their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Share Buy-back Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENT

This Offer Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Company assumes no obligation and does not intend to update these forward-looking statements or opinions contained in this Offer Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

### WARNING

**The Share Buy-back Offer is conditional upon the satisfaction of the conditions as described in this Offer Document. Accordingly, the Share Buy-back Offer may or may not become unconditional and the issue of this Offer Document 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 this 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.**

---

## IMPORTANT NOTICE

---

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 is 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 in Hong Kong 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 Share Buy-back Offer and the Voluntary Withdrawal at the meetings. If more than 10% of the disinterested H Shares voted against the Share Buy-back Offer and the Voluntary Withdrawal at the H Shareholders Class Meeting, the Share Buy-back Offer would not become unconditional and the Company would remain listed on the Stock Exchange.

---

## DEFINITIONS

---

*In this Offer Document, 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
“Business Day(s)”	means a day on which the Stock Exchange is open for the transaction of business
“CCASS”	Central Clearing and Settlement System
“Company”	Zhejiang Cangnan Instrument Group Company Limited, a joint stock company incorporated in the People’s Republic of China with limited liability, and whose H Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 1743)
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“COVID-19”	Coronavirus disease in 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
“Domestic Shareholders Class Meeting”	the special general meeting of the Domestic Shareholders to be convened, and any adjournment thereof, for the purpose of approving the Share Buy-back Offer and Voluntary Withdrawal
“Effective Date”	on 9:00 a.m., 5 July 2021, the day on which the Voluntary Withdrawal is to become effective
“EGM”	the extraordinary general meeting of the Company to be held on 17 May, 2021, notice of which was set out in Appendix V to this Offer Document



---

## DEFINITIONS

---

“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
“Exchange Rate”	RMB1.00 to HK\$1.1947, as quoted on 12 March 2021, which 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
“Final Closing Date”	28 June 2021, assuming that the Share Buy-back Offer and the Voluntary Withdrawal become unconditional in all respects on the First Closing Date and the Share Buy-back Offer will be open for acceptance for 28 days after the First Closing Date
“First Closing Date”	31 May 2021, the date on which the Share Buy-back Offer and the Voluntary Withdrawal are to become or to be declared unconditional which is the next Business Day following the 60th day (which falls on a Sunday) after the date of the despatch of the Offer Document
“Form of Acceptance”	the form of acceptance and transfer of H Share(s) in respect of the Share Buy-back Offer accompanying this Offer Document
“Group”	the Company and its subsidiaries
“Group Companies”	members of the Group
“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

---

## DEFINITIONS

---

“H Shareholders Class Meeting”	the special general meeting of the H Shareholders to be convened, and any adjournment thereof, for the purpose of approving the Share Buy-back Offer and Voluntary Withdrawal
“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, the Directors and parties acting in concert with any of them and anyone who has a material interest in the Share Buy-back Offer, which is different from the interests of all other Shareholders, as stipulated under Rule 3.2 of the Share Buy-back Code
“Last Trading Day”	12 March 2021, being the last full trading day in the H shares immediately before the publication of the Rule 3.5 Announcement
“Latest Practicable Date”	30 March 2021, being the latest practicable date prior to the printing of this Offer Document for the purpose of ascertaining certain information for inclusion in this Offer Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

---

## DEFINITIONS

---

“Offer Document”	this 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, proxy forms and reply slips for the EGM and class meetings) and the respective letters of advice from Huatai, 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, the Directors and parties acting in concert with any of them
“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 Offer Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC GAAP”	accounting principles generally accepted in the PRC
“Relevant Period”	the period commencing on 5 August 2020, being the date falling six months preceding 5 February 2021, the date of commencement of the Offer Period, up to and including the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 3.5 Announcement”	the announcement made by the Company on 12 March 2021 in relation to the Share Buy-back Offer and the Voluntary Withdrawal under Rule 3.5 of the Takeovers Code

---

## DEFINITIONS

---

“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
“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 as published by the SFC, as amended, supplemented or otherwise modified from time to time
“Share Buy-back Offer” or “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, the Directors and parties acting in concert with any of them in accordance with the Takeovers Code
“Share Registrar”	Computershare Hong Kong Investor Services Limited, being the Hong Kong branch share registrar and transfer office of the Company, whose address is at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“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(2) of the Listing Rules by way of a capital reorganization
“%”	per cent.

---

## LETTER FROM HUATAI

---

1 April 2021

*To the Shareholders*

Dear Sir or Madam,

**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**

### INTRODUCTION

We, Huatai Financial Holdings (Hong Kong) Limited, act as financial adviser to the Company in respect of the Share Buy-back Offer and the Voluntary Withdrawal. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as defined in the Offer Document.

On 5 February 2021, the Board announced that a conditional cash offer would be made by Huatai on behalf of the Company in compliance with the Takeovers Code, the Share Buy-back Code and the Listing Rules, subject to fulfilment of the numerous conditions, to buy-back for cancellation of up to 17,901,167 H Shares, representing the entire issued H share capital of the Company and approximately 25.65% of the total issued share capital of the Company as at the Latest Practicable Date. The H Shareholders may (1) accept the Share Buy-back Offer by lodging the Forms of Acceptance for the sale of their Shares to the Company at the Offer Price of HK\$22.00 per H Share and (2) vote in favor of the resolutions approving the Share Buy-back Offer and the Voluntary Withdrawal.

As at the Latest Practicable Date, each of the Domestic Shareholders has entered into an irrevocable undertaking in favor of the Company that, 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 has been or 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. Other than the Domestic Shareholders as set out in the shareholding table on pages 17 to 18 to this Offer Document, none of the Shareholders (including H Shareholders) have irrevocably committed themselves to accept or reject the Share Buy-back Offer.

---

## LETTER FROM HUATAI

---

This letter sets out the details of the terms of the Share Buy-back Offer and the Voluntary Withdrawal. Further details of the terms and conditions of the Share Buy-back Offer and the Voluntary Withdrawal are set out in Appendix I to the Offer Document and the accompanying Form of Acceptance.

### THE SHARE BUY-BACK OFFER AND THE VOLUNTARY WITHDRAWAL

#### Principal terms of the Share Buy-back Offer

A conditional cash offer is being made by Huatai on behalf of the Company to buy-back up to 17,901,167 H Shares, representing the entire issued H Share capital of the Company and approximately 25.65% of the total issued share capital of the Company as at the Latest Practicable Date from the H Shareholders on the following basis:

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

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 attached or accrued, 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 despatch of this Offer Document).

All the H Shares bought-back under the Share Buy-back Offer will be cancelled and subsequently the H Share listing on the Stock Exchange will be withdrawn.

#### THE OFFER PRICE

The Offer Price, being HK\$22.00 per H Share, values the entire market capitalization of H Shares of the Company as at the Latest Practicable Date at approximately HK\$393.83 million. The Offer Price 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;

---

## LETTER FROM HUATAI

---

- (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;
- (h) a premium of approximately 20.22% over the audited consolidated net asset value attributable to Shareholders of approximately RMB15.32 (equivalent to approximately HK\$18.30) per Share (based on (i) the audited consolidated net asset value attributable to Shareholders as stated in the annual results published on 25 March 2021; (ii) 69,791,167 Shares in issue as at the Latest Practicable Date, and (iii) the Exchange Rate); and
- (i) a premium of approximate 10.00% to the closing price of the H Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$20.00 per Share.

### **Value of the Share Buy-back Offer**

As at the Latest Practicable Date, 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 the Voluntary Withdrawal 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.

---

## LETTER FROM HUATAI

---

### CONDITIONS TO THE SHARE BUY-BACK OFFER AND THE VOLUNTARY WITHDRAWAL

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

- (a) the passing of the resolution 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 resolution 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 resolution must not exceed 10% of the votes attaching to all the H Shares held by such Independent H Shareholders;
- (b) the passing of the resolution 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 resolution 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 resolution in an EGM 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 resolution 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 First Closing Date 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 Latest Practicable Date, 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.



---

## LETTER FROM HUATAI

---

None of the above conditions is waivable and as at the Latest Practicable Date, to the exception of (e) and (f) above to the extent that such registration has been completed, none of the other conditions has been fulfilled.

The Company has applied for, and the Executive has granted, the waiver from strict compliance with Rule 2.2(c) of the Takeovers Code.

Acceptances by the H Shareholders under the Share Buy-back Offer will be irrevocable and cannot be withdrawn after the Share Buy-back Offer becomes unconditional except as otherwise decided by the Executive pursuant to the Takeovers Codes.

### **REASONS AND BENEFITS OF THE SHARE BUY-BACK OFFER AND THE VOLUNTARY WITHDRAWAL**

The Share Buy-back Offer and the Voluntary Withdrawal will be beneficial for the Company that the Company can save cost and expenses associated with regulatory compliance when it becomes a private company and such compliance requirements will no longer be applicable.

The Share Buy-back Offer and Voluntary Withdrawal will also be beneficial for the H Shareholders that the H Shareholders can enjoy a one-off investment gain, representing 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, in the context that the average daily trading volume of H Share during the same period was 3,342 shares, representing 0.02% of the total number of H Shares in issue and such low liquidity in trading of the H Shares makes it difficult for H Shareholders to realize gains through on-market disposal.

### **PROCEDURES FOR ACCEPTANCE OF THE SHARE BUY-BACK OFFER**

In order to accept the Share Buy-back Offer, H Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions set out in this Offer Document should be read together with the instructions printed on the Form of Acceptance (in which the instructions form part of the terms of the Share Buy-back Offer). Only one Form of Acceptance may be submitted by each H Shareholder to the Share Registrar. Acceptances duly received will become irrevocable and cannot be withdrawn after the Share Buy-back Offer has been declared unconditional except as otherwise provided for under the Takeovers Code. No acknowledgement of receipt of any Form of Acceptance or title documents will be given.

If the Share Buy-back Offer is declared unconditional on the First Closing Date, all H Shareholders will continue to be able to tender their H Shares for acceptance under the Share Buy-back Offer for another period of 28 days thereafter to comply with the conditions of the waiver from the Executive pursuant to Rule 2.2(c) of the Takeovers Code.

---

## LETTER FROM HUATAI

---

The procedures for acceptance and settlement of the Share Buy-back Offer and related information are set out in Appendix I to this Offer Document and in the accompanying Form of Acceptance. Acceptances of the Share Buy-back Offer should be received by the Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event by no later than 4:00 p.m. on the Final Closing Date or such later time(s) and/or date(s) as the Company may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

### **EGM AND CLASS MEETINGS**

The notices convening the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting are set out in pages V-1 to VII-2 of this Offer Document. Resolutions in respect of the Share Buy-back Offer and the Voluntary Withdrawal will be proposed at the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting.

A form of each of the proxy and reply slip for each of the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting are enclosed with this Offer Document. Whether or not you are able to attend the EGM, H Shareholders Class Meeting and/or Domestic Shareholders Class Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Share Registrar or the Board office of the Company as soon as possible and in any event, not less than 48 hours before the time of the holding of the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting or any adjournment thereof before 12:00 noon on 15 May 2021, in the case of H Shareholders, to the office of the Share Registrar in Hong Kong, Computershare Hong Kong Investor Services at 17M/F Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, and in the case of Domestic Shareholders, to the Board office of the Company at Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting or any adjournment if you so wish.

### **NOMINEE REGISTRATION OF SHARES**

#### **Procedure for acceptance**

Beneficial owners of H Shares who hold their H Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Offer Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Please refer to Appendix I to this Offer Document for additional information on how to accept the Share Buy-back Offer.

---

## LETTER FROM HUATAI

---

In order for the beneficial owners of the H Shares, whose investments are registered in nominee names (including those whose interests in the H Shares are held through CCASS), to accept the Share Buy-back Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Share Buy-back Offer.

For the avoidance of doubt, for beneficial owners of H Shares who hold their H Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant, if you send the accompanying Form of Acceptance to the Registrar by yourself directly, the acceptance of the Share Buy-back Offer will be treated as invalid. Therefore, if the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Share(s) is/are in the name of a nominee company or a name other than your own, you must take actions as mentioned above.

### **Procedures for voting**

If your H Share(s) has/have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) through CCASS and you intend to vote at the EGM and/or the H Shareholders Class Meeting (as applicable) or attend in person, you should instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to give instructions to HKSCC Nominees Limited on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them.

If your H Share(s) has/have been lodged with your investor participant's account maintained with CCASS, you should authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

For the avoidance of doubt, your vote will be invalid if you give voting instructions to the Registrar by yourself directly. Therefore, if your H Share(s) has/have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) through CCASS, or lodged with your investor participant's account maintained with CCASS, you must take actions as mentioned above.

### **SETTLEMENT**

Pursuant to Rule 20.1 of the Takeovers Code, settlement in cash in respect of acceptances of the Share Buy-back Offer will be made within seven Business Days (as defined under the Takeovers Code) of the later of the date on which the Share Buy-back Offer has become or is declared unconditional and the date on which the H Shares are tendered for acceptance of the Share Buy-back Offer. Relevant documents of title must be received by the Share Registrar to render each acceptance of the Share Buy-back Offer complete and valid. Remittances in respect of the H Shares tendered for acceptance and taken up by the Company under the Share Buy-back Offer (after, if applicable, deducting the seller's ad valorem stamp duty arising therefrom) will be posted to the H Shareholders by ordinary post at their own risk.

---

## LETTER FROM HUATAI

---

If the Share Buy-back Offer does not become unconditional, the title documents will be returned and/or sent to each accepting H Shareholder (by ordinary post at that H Shareholder's own risk) within 10 days of the lapse of the Share Buy-back Offer. In such an event, the Company will make an announcement in accordance with the Takeovers Code and, or, send a notice of lapse of the Share Buy-back Offer to the H Shareholders. Where any accepting H Shareholder has sent one or more transfer receipt(s) and in the meantime one or more share certificate(s) has/have been collected on that H Shareholder's behalf in respect thereof, that H Shareholder will be sent (by ordinary post at his/her/its own risk) such share certificate(s) in lieu of the transfer receipt(s).

### **STAMP DUTY**

Seller's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the value of the consideration arising from acceptance of the Share Buy-back Offer will be payable by the H Shareholders who accept the Share Buy-back Offer. The relevant amount of stamp duty payable by the H Shareholders will be deducted from the consideration payable to the H Shareholders under the Share Buy-back Offer. The Company will bear its own portion of buyer's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the consideration payable or the market value whichever is higher, in respect of relevant acceptances of the Share Buy-back Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for sale and purchase of the H Shares which are validly tendered for acceptance under the Share Buy-back Offer.

### **RESPONSIBILITY FOR DOCUMENTS**

All communications, notices, Forms of Acceptance, proxy forms, reply slips, the title documents and remittances to be delivered or sent by, to or from any H Shareholder will be delivered or sent by, to and from them, or their designated agents, at their risk and none of the Company, Huatai, the Share Registrar or any of their respective directors or any other persons involved in the Share Buy-back Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

### **NOTICE TO H SHAREHOLDERS OUTSIDE HONG KONG**

The making of the Share Buy-back Offer to a person with a registered address in a jurisdiction outside Hong Kong may be prohibited or affected by the applicable laws and regulations of the relevant jurisdictions. Overseas H Shareholders should observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Share Buy-back Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Company, the Directors and parties acting in concert with any of them, Huatai, Gram Capital, the Share Registrar, their respective

---

## LETTER FROM HUATAI

---

ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Share Buy-back Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Such overseas H Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such overseas H Shareholders in respect of the relevant jurisdictions. The overseas H Shareholders are recommended to seek professional advice on decided whether or not to accept the Share Buy-back Offer.

### **TAX IMPLICATIONS**

H Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Share Buy-back Offer. It is emphasized that none of the Company, its ultimate beneficial owners, the Directors and parties acting in concert with any of them, Huatai, Gram Capital, the Share Registrar or any of their respective directors or any persons involved in the Share Buy-back Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of his/their acceptance(s) of the Share Buy-back Offer.

### **GENERAL**

In considering what action to take, you must rely on your own examination of the terms of the Share Buy-back Offer and the Voluntary Withdrawal. You should, if in any doubt, consult your professional advisers for professional advice.

You are strongly advised to consider carefully the information in the letter from the Board, the recommendation and the advice from Gram Capital contained in this Offer Document, and the information set out in the appendices to this Offer Document which form part of this Offer Document.

Yours faithfully,  
For and on behalf of  
**Huatai Financial Holdings (Hong Kong) Limited**  
**Mr. TONG Tao**  
*Director*

---

## LETTER FROM THE BOARD

---



### Zhejiang Cangnan Instrument Group Company Limited (浙江蒼南儀錶集團股份有限公司)

(A joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 1743)

*Executive Directors:*

Mr. Hong Zuobin  
Mr. Huang Youliang  
Mr. Jin Wensheng  
Mr. Yin Xingjing  
Mr. Zhang Shengyi  
Ms. Lin Zichan  
Mr. Lin Zhongzhu

*Non-executive Directors:*

Mr. Ye Xiaosen  
Mr. Hou Zukuan

*Independent non-executive Directors:*

Mr. Ng Jack Ho Wan  
Mr. Wong Hak Kun  
Mr. Wang Jingfu  
Mr. Li Jing  
Mr. Su Zhongdi

*Registered Office:*

Industrial Demonstrative Park  
Lingxi Town  
Cangnan County  
Zhejiang Province  
The PRC

*Principal Place of Business  
in Hong Kong:*

Flat B, 15/F  
Kam Chung Commercial Building  
19-21 Hennessy Road  
Wan Chai  
Hong Kong

1 April 2021

*To the Shareholders*

Dear Sir or Madam,

- 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**

#### INTRODUCTION

Reference is made to the announcements of the Company dated 5 February 2021, 3 March 2021 and 12 March 2021 made pursuant to Rule 3.7 and Rule 3.5 respectively, of the Takeovers Code in relation to the Share Buy-back Offer and delisting of H Shares.

---

## LETTER FROM THE BOARD

---

A board meeting of the Company was held on 5 February 2021, whereby the Directors have resolved, among other matters, that the Company will, subject to compliance with the requirements under the Takeovers Code and the Share Buy-back Code, buy-back 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 bought back 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 Offer Document, including the passing of resolutions approving the Share Buy-back Offer and the Voluntary Withdrawal at the EGM and class meetings and minimum valid acceptances of the Share Buy-back Offer being received amounting to at least 90% of the H Shares held by the Independent H Shareholders. The Directors believe the Share Buy-back Offer will be in the best interest of the Company and its Shareholders as a whole.

As at the Latest Practicable Date, each of the Domestic Shareholders has entered into irrevocable undertakings in favor of the Company that, 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. Other than the Domestic Shareholders as set out in the shareholding table on pages 17 to 18 to this Offer Document, none of the Shareholders (including H Shareholders) have irrevocably committed themselves to accept or reject the Share Buy-back Offer.

The purpose of this Offer Document is to provide you with, 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); (ii) a letter from Huatai Financial Holdings (Hong Kong) Limited; (iii) a letter from the Board; (iv) a letter of advice from Gram Capital in relation to the Share Buy-back Offer and the Voluntary Withdrawal; (v) information relating the Group, together with the Form of Acceptance, proxy forms and reply slips for the EGM and class meetings.

### THE VOLUNTARY WITHDRAWAL

#### Background

Pursuant to the announcements dated 5 February 2021, 3 March 2021 and 12 March 2021, the Company announced to buy-back all issued H Shares at the Offer Price of HK\$22.00 per H Share. The Share Buy-back Offer, which may or may not proceed, is subject to, among others, acceptance as to 90% of the Independent H Shares and compliance with the applicable provisions under the Listing Rules, the Takeovers Code, the Share Buy-back Code, including but not limited to the approval of the Shareholders of the Company. If the Share Buy-back Offer materializes, such H Shares will be bought back by the Company and be subsequently delisted from the Stock Exchange pursuant to the Takeovers Code and the Listing Rules.



## LETTER FROM THE BOARD

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

			As at the Latest Practicable Date		Upon completion of the Share Buy-back Offer
	Class of Shares	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
<b>Sub-total</b>	<b>H Shares</b>	<b>17,901,167</b>	<b>100</b>	<b>25.65</b>	<b>0</b>
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



---

**LETTER FROM THE BOARD**

---

			As at the Latest Practicable Date		Upon completion of the Share Buy-back Offer
	Class of Shares	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 Huashi Investment Management Enterprise (LP) (“ <b>Huashi LP</b> ”) (Note 4)	Domestic Shares	4,912,000	9.47	7.04	9.47
Cangnan County Changhua Investment Management Enterprise (LP) (“ <b>Changhua LP</b> ”) (Notes 1 and 5)	Domestic Shares	4,830,000	9.31	6.92	9.31
Cangnan County Dongxing Investment Management Enterprise (LP) (“ <b>Dongxing LP</b> ”) (Notes 1 and 6)	Domestic Shares	4,741,000	9.14	6.79	9.14
Cangnan County Cangyi Investment Management Enterprise (LP) (“ <b>Cangyi LP</b> ”) (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
<b>Sub-total</b>	<b>Domestic Shares</b>	<b>51,890,000</b>	<b>100</b>	<b>74.35</b>	<b>100</b>
<b>Total</b>		<b>69,791,167</b>		<b>100</b>	<b>100</b>

---

## LETTER FROM THE BOARD

---

*Notes:*

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.

### **Reasons for the Share Buy-back Offer and the Voluntary Withdrawal**

The Company is proposing to voluntarily withdraw the listings of the H Shares from the Stock Exchange.

Taking into account (i) the low trading volume and limited liquidity of the H Shares making it difficult for the Company to conduct fund raising exercise 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 Shareholders, the Directors believe that the Share Buy-back Offer and Voluntary Withdrawal, if materialized, will result in a one-off investment gain for the H Shareholders. The Directors are also of the view that the Voluntary Withdrawal will enable the Company to save cost and expenses associated with regulatory compliance as the Company becomes a private company and the compliance requirements will no longer be applicable.

---

## LETTER FROM THE BOARD

---

### 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 resolution 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 resolution 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 resolution must not exceed 10% of the votes attaching to all the H Shares held by such Independent H Shareholders;
- (b) the passing of the resolution 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 resolution 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 resolution in an EGM 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 resolution 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 First Closing Date 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 Latest Practicable Date, 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 Latest Practicable Date, to the exception of (e) and (f) above to the extent that such registration has been completed, none of the other conditions has been fulfilled.

The Company has applied for, and the Executive has granted, the waiver from strict compliance with Rule 2.2(c) of the Takeovers Code.

---

## LETTER FROM THE BOARD

---

### Principal terms of the Share Buy-back Offer

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

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

### Further details on the Share Buy-back Offer

Further details regarding the Share Buy-back Offer, including the terms and procedures for acceptance of the Share Buy-back Offer are set out in “Further Terms and Procedures for Acceptance of the Share Buy-back Offer” as set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

### Comparison with the Offer Price

The Offer Price of HK\$22.00 per H Share 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;

---

## LETTER FROM THE BOARD

---

- (h) a premium of approximately 20.22% over the audited consolidated net asset value attributable to Shareholders of approximately RMB15.32 (equivalent to approximately HK\$18.30) per Share (based on (i) the audited consolidated net asset value attributable to Shareholders as stated in the annual results published on 25 March 2021; (ii) 69,791,167 Shares in issue as at the Latest Practicable Date, and (iii) the Exchange Rate); and
- (i) a premium of approximate 10.00% to the closing price of the H Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$20.00 per Share.

Historic share price information on the H Shares is set out in the paragraph headed “3. Market Prices” in Appendix IV to this Offer Document.

### **Shareholding of the Company**

As at the Latest Practicable Date, 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 set out in the shareholding table on pages 17 to 18 to this Offer Document, the Company, the Directors and parties acting in concert with any of them 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 Latest Practicable Date, 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 Latest Practicable Date. Taking into account the fact that no parties acting in concert with the Company or the Directors owned any H Shares, a total of 17,901,167 H Shares will be subject to the Share Buy-back Offer.

As at the Latest Practicable Date, 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 abstain from voting at the Domestic Shareholders Class Meeting and the EGM, whilst a total of 19,341,300 Domestic Shares, representing approximately 37.27% 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 Shareholders Class Meeting and the EGM.

### **Dividends and Distribution**

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 attached or accrued, 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 this Offer Document).

---

## LETTER FROM THE BOARD

---

The Company confirms that as at the date of this Offer Document, (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 Latest Practicable Date, 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 the Voluntary Withdrawal 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.

### **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. A copy of their letter is set out on pages 28 to 48 of this Offer Document.

### **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.

---

## LETTER FROM THE BOARD

---

The following table is a summary of certain audited consolidated financial information for the years ended 31 December 2018, 2019 and 2020, as extracted from the annual report of the Company for the respective years:

	For the year ended (Audited)		
	31 December 2020	31 December 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	409,682	484,260	630,323
Profit before income tax	92,452	160,959	256,203
Income tax	(10,899)	(20,979)	(34,788)
Profit for the period/year attributable to equity holders of the Company	79,986	136,532	220,192

The audited consolidated total assets and net assets of the Group as at 31 December 2020 was approximately RMB1,414.7 million (which includes non-current assets of RMB268.8 million (with property, plant and equipment making up a substantial part of it) and current assets of RMB1,145.9 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 RMB1,084.4 million, respectively.

Your attention is drawn to the section “Financial Information of the Group”, “Unaudited Pro Forma Financial Information of the Group” and “General Information of the Company” as set out in Appendix II, III and IV, respectively, to this Offer Document.

### FINANCIAL IMPACT OF THE SHARE BUY-BACK OFFER AND THE VOLUNTARY WITHDRAWAL

#### Earnings per Share attributable to equity holders of the Company

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming the completion of the Share Buy-back Offer on 1 January 2020, the earnings per Share attributable to the equity holders of the Company for the year ended 31 December 2020 would have increased by approximately 33.9% from approximately RMB1.15 per Share to approximately RMB1.54 per Share.

#### Net asset value per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming the completion of the Offer on 31 December 2020, the net assets per Share attributable to the equity holders of the Company as at 31 December 2020 would have decreased by approximately 9.0% from approximately RMB15.32 per Share to approximately RMB13.94 per Share.

---

## LETTER FROM THE BOARD

---

This cash outlay represented only approximately 32.32% of the consolidated net asset value of the Company as at 31 December 2020. The Directors believe that the Share Buy-back Offer and the Voluntary Withdrawal will not have a material adverse impact on the Company's cash position and consolidated net asset value.

### **Liabilities and Working Capital**

The estimated costs of RMB345,545,000 to be incurred under the Share Buy-back Offer will be settled by cash and therefore the Share Buy-back Offer will not have any effect on the liabilities of the Group. On the other hand, the estimated costs would have decreased the working capital (expressed as net current assets) at 31 December 2020 by approximately RMB345,545,000 from approximately RMB815,715,000 to approximately RMB470,180,000.

The Company will satisfy the Share Buy-back Offer using cash from its own internal resources and has no intention of buying back its H Shares with borrowings. As such, this will result in a corresponding decrease in the working capital and net assets of the Group. The Directors believe that the Share Buy-back will not have a material adverse impact on the Company. For more details, please see "Appendix III – Unaudited Pro Forma Financial Information of the Group".

### **INTENTION 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.



---

## LETTER FROM THE BOARD

---

### **EGM, H SHAREHOLDERS CLASS MEETING AND DOMESTIC SHAREHOLDERS CLASS MEETING**

The notices convening the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting are set out in pages V-1 to VII-2 of this Offer Document. Resolutions in respect of the Share Buy-back Offer and the Voluntary Withdrawal will be proposed at the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting.

A form of each of the proxy and reply slip for each of the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting are enclosed with this Offer Document. If you are not able to attend the EGM, H Shareholders Class Meeting and/or Domestic Shareholders Class Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Share Registrar or the Board office of the Company as soon as possible and in any event, not less than 48 hours before the time appointed for the holding of the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting or any adjournment thereof, i.e. before 12:00 noon on 15 May 2021. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting or any adjournment if you so wish.

### **PROCEDURES IN DEMANDING A POLL**

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting will therefore demand a poll for every resolution put to the vote of the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting pursuant to article 94 of the Articles of Association.

Pursuant to the Articles of Association, for the purpose of holding the EGM, H Shareholders Class Meeting and Domestic Shareholders Class Meeting, the register of members of the Company shall be closed from 17 April 2021 to 17 May 2021 (both days inclusive), during which period no transfer of shares will be registered.

In order to attend the EGM and H Shareholders Class Meeting, holders of H Shares shall lodge all transfer documents together with the relevant shares certificates to Computershare Hong Kong Investor Services Limited, the Company's H Share registrar, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 16 April 2021.

---

## LETTER FROM THE BOARD

---

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Offer Document. You are also recommended to carefully read “Further Terms and Procedures for Acceptance of the Share Buy-back Offer” as set out in Appendix I to this Offer Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Share Buy-back Offer. In considering what action to take in connection with the Share Buy-back Offer, you should also consider your own tax positions, if any, any in case of any doubt, consult your professional advisers.

### RECOMMENDATION

The Directors are of the view that the terms of the Share Buy-back Offer and the Voluntary Withdrawal are fair and reasonable and is in the best interest of the Company and its Shareholders as a whole.

Your attention is drawn to the “Letter from Gram Capital” as set out on pages 28 to 48 of this Offer Document, which contain, among other things, their advice in relation to the Share Buy-back Offer and the principal factors considered by them in arriving at their recommendation.

Yours faithfully,  
By order of the Board of Directors of  
**Zhejiang Cangnan Instrument Group Company Limited**  
**Mr. HONG Zuobin**  
*Chairman*

---

## LETTER FROM GRAM CAPITAL

---

*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent H Shareholders in respect of the Share Buy-back Offer and the Voluntary Withdrawal for the purpose of inclusion in the Offer Document.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

1 April 2021

*To: The independent H shareholders of Zhejiang Cangnan Instrument Group Company Limited*

Dear Sirs,

**(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**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent H Shareholders in respect of the Share Buy-back Offer and the Voluntary Withdrawal, details of which are set out in the Offer Document dated 1 April 2021 issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Offer Document unless the context requires otherwise.

Reference is made to the announcements of the Company dated 5 February 2021, 3 March 2021 and 12 March 2021 made pursuant to Rule 3.7 and Rule 3.5 respectively, of the Takeovers Code in relation to the Share Buy-back Offer and the Voluntary Withdrawal.

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, buy-back all the issued H Shares in the share capital of the Company. The Share Buy-back Offer, which may or may not proceed, is subject to, among others, minimum valid acceptances of the Share Buy-back Offer being received amounting to at least 90% of the H Shares held by the Independent H Shares and the compliance with the Listing Rules, the Takeovers Code, the Share Buy-back Code, including but not limited to Shareholders' approvals. If the Share Buy-back Offer materializes, such H Shares will be bought-back by the Company and be subsequently delisted from the Stock Exchange pursuant to the Takeovers Code and the Listing Rules.

---

## LETTER FROM GRAM CAPITAL

---

We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent H Shareholders as to (i) whether the Share Buy-back Offer is, or is not, fair and reasonable and as to the acceptance of the Share Buy-back Offer; and (ii) whether the terms of the Voluntary Withdrawal are fair and reasonable, whether the Voluntary Withdrawal is in the interest of the Company and the Shareholders as a whole and as to the voting of the Share Buy-back Offer and the Voluntary Withdrawal. Our opinion herein is solely for the assistance of the Independent H Shareholders in connection with its consideration of the Share Buy-back Offer and the Voluntary Withdrawal.

### INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent H Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Offer Document and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Offer Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Offer Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Share Buy-back Offer and the Voluntary Withdrawal. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENT" of Appendix IV to the Offer Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Offer Document, save and except for this letter of advice.

---

## LETTER FROM GRAM CAPITAL

---

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or its respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Share Buy-back Offer and the Voluntary Withdrawal.

We have assumed that the Share Buy-back Offer and the Voluntary Withdrawal will be consummated in accordance with the terms and conditions set forth in the Offer Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Share Buy-back Offer and the Voluntary Withdrawal, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Share Buy-back Offer and the Voluntary Withdrawal, we have taken into consideration the following principal factors and reasons:

#### 1. Background and terms of the Share Buy-back Offer

As extracted from the “Letter from the Board”, Huatai, on behalf of the Company and in compliance with the Takeovers Code and Share Buy-back Code, will make the Share Buy-back Offer on the terms set out in the Offer Document on the following basis:

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

Further details of the Share Buy-back Offer are set out in Appendix I to the Offer Document and the accompanying Form of Acceptance.

---

## LETTER FROM GRAM CAPITAL

---

## 2. Background of the Group

### 2.1 Financial information of the Group

With reference to the “Letter from the Board” of the Offer Document, 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.

As at the Latest Practicable Date, the Company had 17,901,167 H Shares and 51,890,000 Domestic Shares in issue.

Set out below is a summary of the audited consolidated financial information on the Group for each of the six years ended 31 December 2020 as extracted from the Company’s respective annual results, annual reports and prospectus (the “**Prospectus**”):

	For the year ended 31 December					
	2020	2019	2018	2017	2016	2015
	(“FY2020”)	(“FY2019”)	(“FY2018”)	(“FY2017”)	(“FY2016”)	(“FY2015”)
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Revenue	409,682	484,260	630,323	669,813	444,160	362,687
– Industrial and commercial gas flowmeter products	340,269	402,440	561,982	597,910	386,893	296,869
– Residential gas meter products	44,356	56,687	49,532	59,466	45,216	48,045
– Nuclear-related products	21,831	21,617	15,642	10,276	9,338	14,914
– Maintenance services	3,226	3,516	3,167	2,161	2,713	2,859
Profit for the year	81,553	139,980	221,415	241,683	117,883	36,545
Profit for the year attributable to equity holders of the Company	79,986	136,532	220,192	239,352	117,495	35,985

---

## LETTER FROM GRAM CAPITAL

---

During FY2015 to FY2017, the Group recorded revenue and profits of (i) approximately RMB362.7 million and approximately RMB36.5 million for FY2015; (ii) approximately RMB444.2 million and approximately RMB117.9 million for FY2016; and (iii) approximately RMB669.8 million and approximately RMB241.7 million for FY2017, respectively. As advised by the Directors, the aforesaid increases in revenue from FY2015 to FY2017 were mainly due to the both increase sales to existing customers and development of new customers by the Group. The significant increases in the Group's profits during FY2015 to FY2017 (FY2015 to FY2016: approximately 222.6%; FY2016 to FY2017: approximately 105.0%) was mainly attributable to increases in both the revenue and gross profit margin and the Group achieving economies of scale.

During FY2018, the Group recorded revenue of approximately RMB630.3 million, representing a decrease of approximately 5.9% as compared to that for FY2017. With reference to the Company's annual report for FY2018, the aforesaid decrease was primarily due to a more progress development of the coal-to-gas switching projects in 2018 when compared to 2017. In 2017, the Group experienced explosive growth of revenue benefiting from the effect of the coal to gas switching projects. However, as a result of lacking adequate gas resources, pipeline construction interconnection and gas storage reservoirs, these shortfalls led to the shortage of gas supply in many local markets across the country. The Group also recorded a decrease of approximately 8.4% in profit from approximately RMB241.7 million in FY2017 to approximately RMB221.4 million in FY2018, which was mainly due to a decrease in the Group's revenue and increase in expenses arising from increased value-added services and the intensified research and development efforts, which resulted in a decrease in the Group's profit for the year.

During FY2019, the Group recorded revenue of approximately RMB484.3 million, representing a decrease of approximately 23.2% as compared to that for FY2018. With reference to the Company's annual report for the year ended 31 December 2019 (the **"2019 Annual Report"**) and as advised by the Directors, such decrease was primarily due to the high base for FY2018, as a result of the significant growth of the natural gas industry benefited from the coal-to-gas project, which led to a certain year-on-year decline of the revenue of industrial and commercial gas flowmeter business for FY2019. The Group also recorded a decrease of approximately 36.8% in profit for FY2018 from approximately RMB221.4 million to approximately RMB140.0 million for FY2019, which was mainly due to the decrease of revenue and gross profit, and the increase of selling and distribution expenses and administrative expenses for FY2019.

---

## LETTER FROM GRAM CAPITAL

---

The Group recorded revenue of approximately RMB409.7 million for FY2020, representing a decrease of approximately 15.4% as compared to that for FY2019. With reference to the Company's annual results announcement for FY2020 (the "**2020 Annual Results**"), such decrease was primarily due to the consumption demand of the natural gas industry was significantly affected by the COVID-19 outbreak and macro-economy in 2020: the gas consumption for industry and commerce and power generation was suppressed, the oversupply increased, the gas price of main market fell, the industrial and commercial new installation and renovation budgets for gas companies was greatly reduced, which decreased the revenue of the Company. The Group also recorded a decrease of approximately 41.7% in profit for FY2019 from approximately RMB140.0 million to approximately RMB81.6 million for FY2020, which was mainly due to (i) the aforesaid decrease in revenue for FY2020; (2) the significant decrease in government grants awarded to the Company for FY2020 as compared to FY2019.

After the Company's listing on the mainboard of the Stock Exchange, the Company distributed dividend for FY2018 of RMB0.80 per ordinary share in 2019 and for FY2019 of RMB0.60 per ordinary share in 2020. According to the 2020 Annual Results, the Board did not recommend the distribution of a final dividend for FY2020.

### 2.2 *Industry overview*

#### *Total supply of natural gas in PRC*

Set out below are the total supply of natural gas in PRC during the five years ended 31 December 2020, published by the National Bureau of Statistics of the PRC:

	2020	2019	2018	2017	2016
<b>Total supply of natural gas</b>					
<i>(billion cubic meter)</i>	188.85	173.62	161.02	147.42	136.83

As shown in the table above, the total supply of natural gas in PRC recorded year-on-year increase during each of the year 2017, 2018, 2019 and 2020. The total supply of natural gas in PRC increased from approximately 136.83 billion cubic meters in 2016 to approximately 188.85 billion cubic meters in 2020, representing a compounded annual growth rate ("**CAGR**") of approximately 8.39%.

With reference to an article titled "Energy production in December 2020" published by the National Bureau of Statistics of the PRC in January 2021, in 2020, the production of natural gas was approximately 188.8 billion cubic meters, representing a year-on-year increase of approximately 9.8%.



---

## LETTER FROM GRAM CAPITAL

---

As advised by the Directors, at the beginning of 2020, the sudden outbreak of COVID-19 put downward pressure on the Chinese economy which is in transition period. The spread of COVID-19 and its subsequent effects caused certain negative impacts on the Chinese economy, finance, trade, and the industrial chain, including delayed resumption of work of enterprise, delayed production, closure of restaurants, stagnant circulation, weak demand and global pandemics and other various risks. 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.

### *Natural gas consumption in PRC*

Set out below are the natural gas consumption (as a percentage of total energy consumption) during the four years ended 31 December 2019, being the latest available figures as published by the National Bureau of Statistics of the PRC (*Note: proportion of natural gas consumption to total energy consumption for FY2020 was not published by National Bureau of Statistics of the PRC as at the Latest Practicable Date and there was no monthly summary of the aforesaid economic data*):

	2019	2018	2017	2016
<b>Proportion of natural gas to total energy consumption (approximate)</b>	8.1%	7.8%	7.0%	6.2%

As shown in the table above, natural gas consumption (as a percentage of total energy consumption) recorded year-on-year increase during each of the year 2017, 2018 and 2019. Such percentage increased from approximately 6.2% in 2016 to approximately 8.1% in 2019.

With reference to an article titled “Natural gas consumption in October 2020” published by the National Development and Reform Commission of the PRC in December 2020, for the ten months ended 31 October 2020, the consumption of natural gas was approximately 257.7 billion cubic meters, representing a year-on-year increase of approximately 5.0%.

With reference to the 2020 Annual Results, during the period of the 13th Five-Year Plan, the government, in tandem, issued a series of guiding documents and a series of environmental protection policy documents, 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.

---

## LETTER FROM GRAM CAPITAL

---

### *Natural gas flowmeter market in the PRC*

According to the 2020 Annual Results, participants in the gas measurement instrument industry (covering natural gas flowmeter market industry) include both domestic and international gas measurement instrument manufacturers. As advised by the Directors, they consider the gas measurement instrument industry (covering natural gas flowmeter market industry) is currently in extremely fierce competition after mainly taking into account of the decrease of market share of the top five suppliers of the total market from approximately 83.9% in 2017 (as extracted from the Prospectus) to approximately 68.4% in 2019 (as extracted from a research report (the “**Research Report**”) dated June 2020 purchased by the Company). For our due diligence purpose, we noted the aforesaid two figures in the Prospectus and the Research Report provided by the Company respectively. The Research Report was issued by China Insights Consultancy, being an independent consulting firm. We also noted that the independent consulting firm group prepared various industry reports, which were made reference to by relevant listed issuers on the Stock Exchange.

With reference to the 2020 Annual Results and as advised by the Directors, the 13th Five-Year Plan 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 long term. Currently, the industrial and commercial natural gas flowmeter market still faces big challenges. As mentioned above, 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. As the industrial and commercial as well as power generation gas use has been suppressed (i.e. certain industrial and commercial users shut down their businesses due to the COVID-19), it caused the decrease in demand of gas use. Due to the impact of the COVID-19 in both macro economy and gas industry in PRC and based on the Company’s communicating with its clients, the Company understood that the budget for new installation and renovation of gas companies’ industrial and commercial flowmeters has been substantially reduced. In addition, the gas industry may also face the intense competition from a variety of alternative energy sources (i.e. wind power, solar power, nuclear power, etc.). The aforesaid challenges 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.

---

## LETTER FROM GRAM CAPITAL

---

Despite that the natural gas flowmeter market will maintain in great demand in the future, having considered (i) the uncertainties in the industry development as a result of challenges as mentioned together with the deep impact of COVID-19; and (ii) the gas measurement instrument industry (covering natural gas flowmeter market industry) is currently in extremely fierce competition, we are of the view that the prospects of the Group in near future is uncertain.

### **3. Intention in respect of the Company**

Set out below is the intention in respect of the Company as extracted from “Letter from the Board” in the Offer Document:

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 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 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.

### **4. Reasons for and the benefits of the Share Buy-back Offer and the Voluntary Withdrawal**

#### ***(a) Low liquidity of H Shares may continue to cause abnormal share price fluctuation***

Based on our understanding, a low trading liquidity of a listed issuer’s shares may normally make it difficult for the listed issuer’s shareholders to execute substantial on-market disposals without adversely affecting the price of the shares and also make it difficult for the listed issuer’s shareholders to dispose of a large number of shares when any event that has an adverse impact on the listed issuer’s share price occurs.

---

## LETTER FROM GRAM CAPITAL

---

We performed a trading liquidity analysis of the H Shares for the period from 4 January 2019, being the date on which the H Shares listed on the Stock Exchange, up to and including the Latest Practicable Date (the “**Review Period**”). The number of trading days per month, the average daily number of the H Shares traded per month, and the percentage of the average daily H Shares’ trading volume for each calendar month as compared to the total number of issued H Shares as at the Latest Practicable Date, during the Review Period are tabulated below:

<b>Month</b>	<b>Number of trading days</b>	<b>Average daily trading volume (the “Average Volume”) <i>Number of Shares</i></b>	<b>% of the Average Volume to total number of issued H Shares as at the Latest Practicable Date <i>(note 1)) Approximate %</i></b>
<b>2019</b>			
January	20	232,978	1.30
February	17	2,965	0.02
March	21	12,305	0.07
April	19	42,716	0.24
May	21	34,733	0.19
June	19	42,379	0.24
July	22	50,855	0.28
August	22	68,036	0.38
September	21	89,971	0.50
October	21	110,533	0.62
November	21	57,571	0.32
December	20	135,360	0.76
<b>2020</b>			
January	20	365,719	2.04
February	20	368,846	2.06
March	22	357,982	2.00
April	19	339,042	1.89
May	20	288,780	1.61
June	21	271,681	1.52
July	22	120,673	0.67
August	21	9,329	0.05
September	22	1,182	0.01
October	18	11,578	0.06
November	21	3,181	0.02
December	22	16,036	0.09

---

## LETTER FROM GRAM CAPITAL

---

Month	Number of trading days	Average daily trading volume (the “Average Volume”) <i>Number of Shares</i>	% of the Average Volume to total number of issued H Shares as at the Latest Practicable Date (note 1)) <i>Approximate %</i>
<b>2021</b>			
January	20	7,780	0.04
February	18	1,256	0.01
March (up to and including the Latest Practicable Date)	22	927	0.01

*Source: Bloomberg*

*Note:*

1. Based on 17,901,167 H Shares in issue as at the Latest Practicable Date.

As illustrated from the table above, the H Shares’ trading volume was thin during the Review Period. The Average Volume of H Shares traded (i) in each month (save for January 2020 and February 2020) was not higher than 2% of the total number of H Shares in issue as at the Latest Practicable Date; and (ii) since August 2020 was not higher than 0.1% the total number of issued H Shares in issue as at the Latest Practicable Date.

***(b) The outlook of the Company’s business prospects amidst the impact of COVID-19***

As mentioned above, 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.

---

## LETTER FROM GRAM CAPITAL

---

### *(c) The long-term investment returns for H Shareholders*

During the Review Period, the highest and lowest closing prices of the H Shares as quoted on the Stock Exchange were HK\$58.55 recorded on 10 June 2020 and HK\$13.30 recorded on 15 November 2019 respectively. The Offer Price is within the range of the lowest and highest closing prices of the H Shares during the Review Period and represents premiums over recent closing prices of H Share. Detailed analysis on the Offer Price is contained in the section headed “The Offer Price” below.

The Share Buy-back Offer represents an opportunity to realise Independent H Shareholders’ investments in the Company with relatively low liquidity at a cash consideration which represents premiums over recent closing prices of H Share. The Share Buy-back Offer also allows the Independent H Shareholders to redeploy capital from accepting the Share Buy-back Offer into other investment opportunities that they may consider more attractive in the current market environment.

### *(d) Others*

As extracted from the “Letter from the Board”, the delisting of H Shares will further help the Company to save cost and expenses associated with regulatory compliance.

As also advised by the Directors, for the purpose of the Group’s future development in satisfying the demands and needs of the Group’s customers at home and abroad, the Group plans 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 (i.e. connecting devices over the Internet). However, there is no assurance that the expansion plan (i) will succeed; or (ii) will give rise to the Group’s overcapacity due to any unforeseeable change in the market, which in turn may result in material and adverse effect on the Group’s business, operating results and financial condition.

In addition, as mentioned in the above section headed “Industry overview” above, the gas measurement instrument industry (covering natural gas flowmeter market industry) is currently in extremely fierce competition. In the event that the Group fails to compete effectively or grasp the opportunities arising from the PRC industrial and commercial gas flowmeter market, the Group’s market share and profit margin may decline and the Group’s business, results of operations and financial condition may be materially and adversely affected. To maintain the effectiveness in competition and to grasp any future opportunities arising from the PRC industrial and commercial gas flowmeter market in a timely manner, the Group adopted various measures, such as (i) to constantly strengthen the technological and intellectual enabling of key products (e.g. 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; 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; (ii) to proactively explore the market and build a new marketing service system; (iii) to actively promote intelligent manufacturing and build smart plants (e.g. (i) actively promote the construction of intelligent gas flowmeter product transformation and upgrading projects, and (ii) promote the deep integration of the new generation of information technology and existing equipment, focusing on intelligent manufacturing).

However, the above-mentioned measures may affect the Group's short-term growth profile and result in the divergence between the Group's view on its long-term value on one hand, and investors' views on the Group's share price on the other hand. Following the implementation of the Voluntary Withdrawal, the Group can make strategic decisions focused on long-term benefits, free from the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company. On the other hand, upon the implementation of the Voluntary Withdrawal, investors will not suffer any harm from unmet market expectations, additional cost in adoption of the above-mentioned measures and fluctuation in share prices. The Share Buy-back Offer will also enable investors who hold the H Shares to realise their investment at a premium to the current market price immediately and avoid long term uncertainty in their investment return.

## 5. The Offer Price

### 5.1 Offer Price comparison

The Offer Price of HK\$22.00 per H Share represents:

- (a) a premium of approximately 10.00% over the closing price of the Shares of HK\$20.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 10.89% over the closing price of HK\$19.84 per H Share as quoted on the Stock Exchange on Last Trading Day;
- (c) a premium of approximately 15.18% over the closing price of HK\$19.10 per H Share as quoted on the Stock Exchange on 5 February 2021, being the last trading date prior to the publication of the Rule 3.7 Announcement (the "**Rule 3.7 Announcement Last Trading Date**");
- (d) a premium of approximately 13.58% over the average closing price of HK\$19.37 per H Share as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including Rule 3.7 Announcement Last Trading Date;

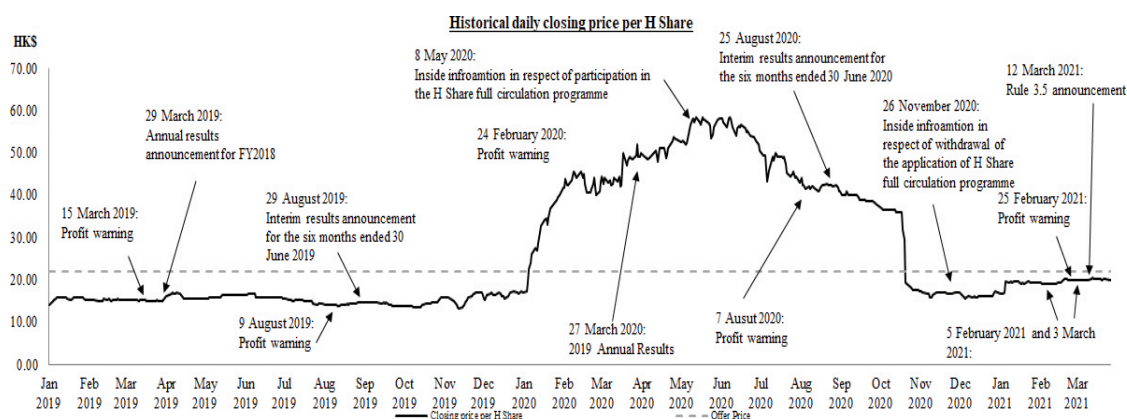


## LETTER FROM GRAM CAPITAL

- (e) a premium of approximately 18.03% over the average closing price of HK\$18.64 per H Share as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including Rule 3.7 Announcement Last Trading Date;
- (f) a premium of approximately 4.41% over the average closing price of HK\$21.07 per H Share as quoted on the Stock Exchange for the last 90 trading days immediately prior to and including Rule 3.7 Announcement Last Trading Date;
- (g) a discount of approximately 35.93% to the average closing price of HK\$34.34 per H Share as quoted on the Stock Exchange for the last 180 trading days immediately prior to and including Rule 3.7 Announcement Last Trading Date;
- (h) an implied price to earnings multiples of 16.07 times, based on the basic earnings per Share of RMB1.1461 (equivalent to approximately HK\$1.3692) for the year ended 31 December 2020 as quoted from the annual results announcement for the year ended 31 December 2020; and
- (i) a premium of approximately 20.21% over the audited consolidated net asset value attributable to owners of the Company of approximately RMB15.3180 per Share (equivalent to approximately HK\$18.3004 per Share) as at 31 December 2020, based on 69,791,167 Shares in issue and equity attributable to owners of the company of approximately RMB1,069.06 million as at 31 December 2020.

### 5.2 Historical price performance of the H Shares

Set out below is a chart showing the movement of the closing prices of the H Shares during the Review Period to illustrate the general trend and level of movement of the closing prices of the H Shares.



Source: Bloomberg



---

## LETTER FROM GRAM CAPITAL

---

During the Review Period, the highest and lowest closing prices of the H Shares as quoted on the Stock Exchange were HK\$58.55 recorded on 10 June 2020 and HK\$13.30 recorded on 15 November 2019 respectively. The Offer Price is within the range of the lowest and highest closing prices of the H Shares during the Review Period.

From the listing until the end of 2019, the closing price of H Shares moved between HK\$13.30 and HK\$17.20.

From the beginning of 2020, the closing price of H Shares moved in an increasing trend and reached the highest point on 10 June 2020. According to the Company's announcement dated 26 February 2020, in the first quarter of 2020, the Company was selected as a supplier for the projects of Ganghua Investment Co., Ltd, China Resources Gas Group Limited and China National Petroleum Corporation (the “**Energy Companies**”). Accordingly, the Company was included in the suppliers list for the Energy Companies' projects and the Energy Companies shall purchase products from the Company during the project validity period according to their needs. In addition, the Company submitted an application in relation to H share full circulation to the CSRC in order to convert the Domestic Shares into H Shares on 8 May 2020. As confirmed by the Directors, save for the aforesaid matters and that the average monthly trading volume between January 2020 to June 2020 were obviously higher than the average monthly trading volume between February 2019 to December 2019, the Directors were not aware of any event which would be a driver to the increase of the closing price of H Shares during the period from January to mid-June 2020.

From mid-June 2020 to mid-October 2020, the closing price of the Shares followed a downward trend. During the aforesaid period, save for the publication of (i) 2019 Annual Results on 27 March 2020; (ii) profit warning announcement on 7 August 2020 for the Group's interim results for the six months ended 30 June 2020; (iii) interim results announcement for the six months ended 30 June 2020 on 25 August 2020 respectively; and (iv) profit warning announcement on 25 February 2021 for the Group's annual results for FY 2020, we were not aware of any specific event which may cause the movement of the H Share prices in a downward trend.

The closing price of H Shares experienced a sharp drop from HK\$29.50 on 22 October 2020 to HK\$19.46 on 23 October 2020. Since then (from 27 October 2020 until the Latest Practicable Date), the closing price of H Shares ranged between HK\$15.72 and HK\$20.40. According to the Company's announcement dated 23 October 2020, having made the enquiries with respect to the Company as was reasonable in the circumstances, the Board confirmed that it was not aware of any reasons for those price or trading volume movements or of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

There were 552 trading days during the Review Period. The Offer Price was higher than the closing prices of H Shares in 356 trading days of 552 trading days.

### *5.3 Comparison with other comparable companies*

We noted that trading multiples analyses (including price-to-earnings ratio (“**PER**”) and price-to-book value ratio (“**PBR**”)) are commonly adopted methods for the purpose of assessing the fairness and reasonableness of the Offer Price. In this regard, we researched for Hong Kong listed companies which are principally engaged in similar line of businesses as the Group, being the development, manufacture and sales of meter products. We searched for listed companies in Hong Kong (i) which derived more than 50% of their revenue from the development, manufacture and sales of meter products based on their respective latest published financial information; and (ii) trading of shares of such listed companies were not halted/suspended for more than three months as at the Latest Practicable Date, for comparison. However, we could only find Wasion Holdings Limited (Stock code: 3393, operates its business through three segments: (i) the smart meter segment (i.e. the development, manufacture and sales of standardized smart meter products to power grids); (ii) the advanced metering infrastructure segment (i.e. the development, manufacture and sale of non-standardized smart meter products and provision of system solution and communication terminals solution services); and (iii) the advanced distribution operations segment (i.e. the manufacture and sale of smart power distribution devices and provision of smart power distribution solution and energy efficiency solution services).) which can meet our selection criteria (for Shareholders’ information purpose, PER and PBR of Wasion Holdings Limited were 7.55 times and 0.49 times respectively based on its latest published financial annual/interim results announcement and closing price as at the Last Trading Day). Given the sample size (i.e. only one comparable company), we consider that the trading multiples analysis is impracticable in this case (Note: implied PER and PBR of the Share Buy-back Offer were approximately 16.07 times and 1.20 times respectively).

### *5.4 Comparison with other privatisation transactions*

To further assess the fairness and reasonableness of the Offer Price, we also searched for approved privatisation transactions by way of share buy-back announced by listed companies in Hong Kong from 1 March 2020, being approximately one year prior to the date of Rule 3.7 Announcement (i.e. 5 February 2021), up to and including the Latest Practicable Date excluding transactions involving a share consideration or transactions with required acceptance level not achieved or yet to be achieved (the “**Privatisation Case(s)**”). However, we could not find any privatisation transaction with similar arrangement to the Share Buy-back and the Voluntary Withdrawal.

---

## LETTER FROM GRAM CAPITAL

---

For the Independent H Shareholders' information purpose only, we listed out all 21 approved privatisation transactions announced by listed companies in Hong Kong during the aforesaid period (excluding transactions involving a share consideration or transactions with required acceptance level not achieved or yet to be achieved) and they were exhaustive.

Company name (stock code or previous stock code) (below companies referred to "Privatised Companies")	Initial announcement date of the privatisation (note 1)	Premium of the offer/cancellation price over closing price per share on	
		last trading day	last 30 trading days
		(note 2)	(note 3)
		Approximate %	Approximate %
Li & Fung Limited (494)	20 March 2020	150.00	95.01
Elec & Eltek International Company Limited (1151)	3 April 2020	70.47	42.73
Allied Properties (H.K.) Limited (56)	20 April 2020	34.27	39.13
Huadian Fuxin Energy Corporation Limited (816)	1 June 2020	65.56	87.97
Capxon International Electronic Company Limited (469)	5 June 2020	79.10	88.09
Jinmao (China) Hotel Investments and Management Limited (6139)	12 June 2020	30.43	82.51
Golden Meditech Holdings Limited (801)	17 June 2020	41.94	60.00
China Baofeng (International) Limited (3966)	21 June 2020	27.45	52.05
Vantage International (Holdings) Limited (15)	2 July 2020	80.00	119.51
O-Net Technologies (Group) Limited (877)	8 July 2020	23.57	24.52
Xinghua Port Holdings Ltd. (1990)	29 July 2020	23.67	58.35
Changshouhua Food Company Limited (1006)	7 September 2020	16.39	43.00
TEM Holdings Limited (8346)	22 September 2020	50.00	59.51
AMVIG Holdings Limited (2300)	24 September 2020	51.39	56.83
China ZhongDi Dairy Holdings Company Limited (1492)	27 September 2020	10.98	22.78
CIMC-TianDa Holdings Company Limited (445)	4 October 2020	20.36	18.22
Shanghai Prime Machinery Company Limited (2345)	15 October 2020	68.42	110.53

---

## LETTER FROM GRAM CAPITAL

---

Company name (stock code or previous stock code) (below companies referred to “Privatised Companies”)	Initial announcement date of the privatisation (note 1)	Premium of the offer/cancellation price over closing price per share on	
		last trading day	last 30 trading days
		(note 2)	(note 3)
		Approximate %	Approximate %
Powerleader Science & Technology Group Limited (8236)	19 October 2020	14.62	10.11
Tonly Electronics Holdings Limited (1249)	30 October 2020	19.05	27.93
CAR Inc. (699)	13 November 2020	17.99	52.09
SHK Hong Kong Industries Limited (666)	18 December 2020	50.00	56.72
	<b>Maximum</b>	150.00	119.51
	<b>Minimum</b>	10.98	10.11
	<b>Average</b>	45.03	57.50
	<b>Median</b>	34.27	56.72
<b>The Company</b>		15.18	18.03

*Notes:*

1. The date of Takeovers Code Rule 3.5 announcement or Rule 3.7 announcement, whichever earlier.
2. The premium/(discount) of offer/cancellation price over/to closing price per share on last trading day prior to the publication of initial announcement in relation to the respective privatisation, as disclosed in the respective privatisation documents.
3. The premium/(discount) of offer/cancellation price over/to average closing price per share on the 30 trading days prior to the publication of initial announcement in relation to the respective privatisation, as disclosed in the respective privatisation documents.
4. Based on the average closing price for the one-month period up to and including the last trading day.

As depicted in the above table, (i) the premium of the offer/cancellation price over closing price per share on last trading day of the Privatisation Cases ranged from 10.98% to 150.00%, with an average of 45.03% and a median of 34.27%; and (ii) the premium of the offer/cancellation price over/to closing price per share on last 30 trading days ranged from 10.11% to 119.51%, with an average of 57.50% and a median of 56.72%.

---

## LETTER FROM GRAM CAPITAL

---

Taking into account that:

- (i) The Offer Price was higher than the closing prices of H Shares in 356 trading days of 552 trading days.

In addition, the Offer Price represents premiums over the recent closing price of the H Shares, including: (a) a premium of approximately 10.00% over the closing price as quoted on the Stock Exchange on Latest Practicable Date; (b) a premium of approximately 10.89% over the closing price of HK\$19.84 per H Share as quoted on the Stock Exchange on the Last Trading Day; and (c) a premium of approximately 15.18% over the closing price of HK\$19.10 per H Share as quoted on the Stock Exchange on the Rule 3.7 Announcement Last Trading Date;

- (ii) the Offer Price represents a premium over the audited consolidated net asset value attributable to owners of the Company as at 31 December 2020; and
- (iii) the trading liquidity of the H Shares is low and disposal of a large number of H Shares by Independent H Shareholders in the open market may have adverse impact on the price of H Shares,

we consider the Offer Price to be fair and reasonable.

### RECOMMENDATION

In relation to the Share Buy-back Offer and the Voluntary Withdrawal, taking into account the factors as discussed above, in particular:

- (i) it is difficult for the Company to conduct fund raising exercises effectively offshore having considered following factors:
  - the H Shares' trading volume was thin during the Review Period, which may not be attractive to potential investors as the potential investors may not be able to realize their investment in a timely manner;
  - the Group's financial performance worsened from FY2018 to FY2020; and
  - despite that the natural gas flowmeter market will maintain in great demand in the future, having considered (i) the uncertainties in the industry development as the results of challenges as mentioned together with the deep impact of COVID-19; and (ii) the gas measurement instrument industry (covering natural gas flowmeter market industry) is currently in extremely fierce competition, we are of the view that the prospects of the Group in near future is uncertain. The Group adopted various for the purpose of maintaining the effectiveness in competition and grasping any future opportunities arising from the PRC industrial and commercial gas flowmeter market in a timely manner. However, such measures may affect the Group's short-term growth profile and result in the divergence between the Group's view on its long-term value on one hand, and investors' views on the Group's share price on the other hand;

---

## LETTER FROM GRAM CAPITAL

---

- (ii) following the implementation of the Voluntary Withdrawal, the Group can make strategic decisions focused on long-term benefits, free from the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company. On the other hand, upon the implementation of the Voluntary Withdrawal, investors will not suffer any harm from unmet market expectations, additional cost in adoption of the above-mentioned measures and fluctuation in share prices. The Share Buy-back Offer will also enable investors who holds the H Shares to realise their investment at a premium price to the current market price immediately and avoid long term uncertainty in their investment return;
- (iii) the H Shares' trading volume was thin during the Review Period, which may normally make it difficult for the Independent H Shareholders to execute substantial on-market disposals without adversely affecting the price of the shares and also make it difficult for the Independent H Shareholders to dispose of a large number of shares when any event that has an adverse impact on the H Share price occurs. The Share Buy-back Offer (which is conditional upon, among other things, the passing of a resolution by the Independent H Shareholders approving the Voluntary Withdrawal at the EGM and H Shareholders class meeting) provides an exit alternative for the Independent H Shareholders who would like to realise their investments in the H Shares;
- (iv) as concluded in the section headed "The Offer Price" above, the Offer Price being fair and reasonable taking into account the following factors:
  - The Offer Price was higher than the closing prices of H Shares in 356 trading days of 552 trading days. In addition, the Offer Price represents premiums over the recent closing price of the H Shares, including: (a) a premium of approximately 10.00% over the closing price as quoted on the Stock Exchange on Latest Practicable Date; (b) a premium of approximately 10.89% over the closing price of HK\$19.84 per H Share as quoted on the Stock Exchange on the Last Trading Day; and (c) a premium of approximately 15.18% over the closing price of HK\$19.10 per H Share as quoted on the Stock Exchange on the Rule 3.7 Announcement Last Trading Date;
  - the Offer Price represents a premium over the audited consolidated net asset value attributable to owners of the Company as at 31 December 2020;
  - the trading liquidity of the H Shares is low and disposal of a large number of H Shares by Independent H Shareholders in the open market may have adverse impact on the price of H Shares; and
  - after considering the trend of the H Share closing price during the Review Period, there is no guarantee that the H Share price will remain at a level close to the Offer Price should the Share Buy-back Offer lapse.

we consider that (1) the Share Buy-back Offer (including the Offer Price) is fair and reasonable, (2) the terms of the Voluntary Withdrawal are fair and reasonable, and the Voluntary Withdrawal is in the interest of the Company and the Shareholders as a whole,

---

## LETTER FROM GRAM CAPITAL

---

and (3) the Voluntary Withdrawal is in the interest of the Independent H Shareholders. Accordingly, we recommend the Independent H Shareholders to (1) accept the Share Buy-back Offer; and (2) vote in favour of the Voluntary Withdrawal resolution at the EGM and H Shareholders class meeting.

**The Company has no rights under the laws of the PRC and the articles of association of the Company to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the Share Buy-back Offer. Accordingly, the Independent H Shareholders are reminded that if they do not accept the Share Buy-back Offer and the Share Buy-back Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the Independent H 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 after the completion of the Share Buy-back Offer depending on whether it remains as a public company in Hong Kong under the Takeovers Code thereafter. Independent H Shareholders should note that if they do not agree to the terms of the Share Buy-back Offer, they can vote against the Share Buy-back Offer and the Voluntary Withdrawal at the EGM, H Shareholders class meeting and the Domestic Shareholders class meeting. If more than 10% of the disinterested H Shares are voted against the Share Buy-back Offer and Voluntary Withdrawal in the H Shares Class Meeting, the Share Buy-back Offer would not become unconditional and the Company would remain listed on the Stock Exchange.**

**We would also like to remind the Independent H Shareholders to closely monitor the market price and liquidity of the H Shares during the offer period, and consider selling their H Shares in the open market, where possible, instead of accepting the Share Buy-back Offer, if the net proceeds from such sales exceed the net amount receivable under the Share Buy-back Offer.**

**As different Independent H Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent H Shareholders who may require advice in relation to any aspect of the Offer Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.**

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.



**1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE SHARE BUY-BACK  
OFFER****The Share Buy-Back Offer**

To accept the Share Buy-back Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Buy-back Offer.

1. If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Share(s) is/are in your name, and you wish to accept the Share Buy-back Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Share Registrar at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in an envelope marked "Zhejiang Cangnan Instrument Group Company Limited – Share Buy-back Offer" to be received by the Share Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Company may determine and the Company may announce with the consent of the Executive in accordance with the Takeovers Code.
2. If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Buy-back Offer in respect of your H Shares, you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorizing it to accept the Share Buy-back Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Share Registrar; or
  - (ii) arrange for the H Shares to be registered in your name by the Company through the Share Registrar, and send the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Share Registrar; or



- (iii) if your H Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Share Buy-back Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Share Buy-back Offer must be received by the Share Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your H Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Share Buy-back Offer must be received by the Share Registrar).
3. If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are not readily available and/or is/are lost and you wish to accept the Share Buy-back Offer in respect of your H Shares, the Form of Acceptance should nevertheless be completed and delivered to the Share Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Share Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Share Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Share Registrar.
4. If you lodged transfer(s) of any of your H Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Buy-back Offer in respect of your H Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Share Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Huatai and/or the Company or their respective agent(s) to collect from the Share Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Share Registrar as if it was/they were delivered to the Share Registrar with the Form of Acceptance.

5. Acceptance of the Share Buy-back Offer will be treated as valid only if the completed Form of Acceptance is received by the Share Registrar no later than 4:00 p.m. on the latest date of acceptance or such later time and/or date as the Company may determine and announce with the consent of the Executive in accordance with the Takeovers Code and the Share Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
  - (i) accompanies by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant H Shares; or
  - (ii) from a registered H Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to H Shares which are not taken into account under another sub-paragraph of this paragraph I); or
  - (iii) certified by the Share Registrar or the Stock Exchange.
6. If the Form of Acceptance is executed by a person other than the registered H Shareholder, appropriate documentary evidence of authority to the satisfaction of the Share Registrar must be produced.
7. Seller's ad valorem stamp duty for transfer of H Shares registered in the seller's name by the Company through the Share Registrar arising in connection with acceptance of the Share Buy-back Offer payable by the relevant Independent 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, will be deducted from the cash amount payable by the Company to such Independent H Shareholders 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 Independent 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 transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
8. No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

**2. ACCEPTANCE PERIOD AND REVISIONS**

- (a) Unless the Share Buy-back Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by 4:00 p.m. on the latest date of acceptance in accordance with the instructions printed on the relevant Form of Acceptance, and the Share Buy-back Offer will be closed on the latest date of acceptance.
- (b) The Company will issue an announcement in accordance with the Takeovers Code through the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zjcnby.com](http://www.zjcnby.com)) no later than 7:00 p.m. on the latest date of acceptance stating whether the Share Buy-back Offer has been extended, revised or has expired.
- (c) In the event that the Company decides to extend the Share Buy-back Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Share Buy-back Offer, to those Independent H Shareholders who have not accepted the Share Buy-back Offer.
- (d) If the Company revises the terms of the Share Buy-back Offer, all Independent H Shareholders, whether or not they have already accepted the Share Buy-back Offer will be entitled to the revised terms. The revised Share Buy-back Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the Final Closing Date of the Share Buy-back Offer is extended, any reference in this Offer Document and in the Form of Acceptance to the latest date of acceptance shall, except where the context otherwise requires, be deemed to refer to the latest date of acceptance of the Share Buy-back Offer so extended.

**3. ANNOUNCEMENT**

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the latest date of acceptance (or such later time and/or date as the Executive may in exceptional circumstances permit), the Company must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Share Buy-back Offer. The Company must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the latest date of acceptance stating whether the Share Buy-back Offer has been extended, revised or has expired. Such announcement must state the following:
  - (i) the total number of H Shares for which acceptances of the Share Buy-back Offer have been received;
  - (ii) the total number of H Shares held, controlled or directed by the Company, the Directors and parties acting in concert with any of them before the Offer Period;

- (iii) the total number of H Shares acquired or agreed to be acquired by the Company, the Directors and parties acting in concert with any of them during the Offer Period;
  - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Company, the Directors and parties acting in concert with any of them have borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
  - (v) the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.
- (b) In computing the total number of H Shares represented by acceptances, only valid acceptances in complete and good order and which have been received by the Share Registrar no later than 4:00 p.m. on the latest date of acceptance, being the latest time and date for acceptance of the Share Buy-back Offer, shall be included.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Share Buy-back Offer will be published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.zjcnbyb.com](http://www.zjcnbyb.com)).

#### **4. NOMINEE REGISTRATION**

To ensure equality of treatment to all Independent H Shareholders, those registered Independent H Shareholders who hold the H Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the H Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Buy-back Offer.

#### **5. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Share Buy-back Offer tendered by the Independent H Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) in the below.
- (b) If the Company is unable to comply with the requirements set out in paragraph 3 of this appendix headed “Announcement” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent H Shareholders who have tendered acceptance of the Share Buy-back Offer, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent H Shareholders withdraw their acceptance(s), the Company shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Independent H Shareholder(s).

## **6. SETTLEMENT OF THE SHARE BUY-BACK OFFER**

Provided that the accompanying Form of Acceptance for the H Shares, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Share Registrar no later than 4:00 p.m. on the Final Closing Date, a cheque for the amount due to each of the accepting Independent H Shareholders in respect of the H Shares tendered under the Share Buy-back Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Independent H Shareholders by ordinary post at his/her/its own risk as soon as possible but in any event within seven Business Days from the date of receipt of all relevant documents to render such acceptance complete and valid by the Share Registrar in accordance with the Takeovers Code. If the Share Buy-back Offer lapses, the share certificate(s) will be returned to the Independent H Shareholders within ten (10) days of the lapse of the Share Buy-back Offer.

Settlement of the consideration to which any accepting Independent H Shareholder is entitled under the Share Buy-back Offer will be paid by the Company in full in accordance with the terms of the Share Buy-back Offer (save in respect of the payment of seller's ad valorem stamp duty, as the case may be) set out in this Offer Document (including this appendix) and the accompanying Form of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Company may otherwise be, or claim to be, entitled against such Independent H Shareholder.

## **7. OVERSEAS H SHAREHOLDERS**

The availability of the Share Buy-back Offer to persons who are not residents in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Share Buy-back Offer to the Independent H Shareholders whose registered addresses are in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Independent H Shareholders 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. It is the responsibility of the individual Independent H Shareholders 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 regulatory 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).

**8. HONG KONG STAMP DUTY AND TAX IMPLICATIONS**

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).

**9. GENERAL**

- (a) All communications, notices, Form of Acceptance, share certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be delivered by or sent to or from the Independent H Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, Huatai, Gram Capital and any of their respective ultimate beneficial owners, directors, officers, agents or associates nor the Share Registrar or any other person involved in the Share Buy-back Offer accepts any liability for any loss in postage or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Share Buy-back Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Company and Huatai that the H Shares tendered under the Share Buy-back Offer are sold by such person or persons free from any Encumbrance and together with all rights and entitlements attached or accrued, 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). For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.
- (c) Acceptance of the Share Buy-back Offer by any nominee will be deemed to constitute a warranty by such nominee to the Company that the number of H Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of H Shares held by such nominee for such beneficial owners who accept the Share Buy-back Offer.
- (d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Share Buy-back Offer.

- (e) The accidental omission to despatch this Offer Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Share Buy-back Offer is made shall not invalidate the Share Buy-back Offer in any way.
- (f) The Share Buy-back Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) Due execution of the Form of Acceptance will constitute an authority to the Company, Huatai and/or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Share Buy-back Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Company, or such person or persons as it may direct the H Shares in respect of which such person has accepted the Share Buy-back Offer.
- (h) The Share Buy-back Offer is made in accordance with the Takeovers Code.
- (i) References to the Share Buy-back Offer in this Offer Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (j) In making their decision, the Independent H Shareholders must rely on their own examination of the Group and the terms of the Share Buy-back Offer, including the merits and risks involved. The contents of this Offer Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Company, the Directors and parties acting in concert with any of them, Huatai, Gram Capital, the Share Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Share Buy-back Offer. The Independent H Shareholders should consult their own professional advisers for professional advice.
- (k) Unless otherwise expressly stated in this Offer Document and/or the Form of Acceptance, no person other than the Company and the accepting Independent H Shareholders may enforce any terms of the Share Buy-back Offer that will arise out of complete and valid acceptances under the Contracts (Rights of Third Parties) Ordinance, Chapter 623 of the Laws of Hong Kong.
- (l) The English text of this Offer Document and of the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.



## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for the years ended 31 December 2018, 2019 and 2020, respectively, as extracted from the relevant published financial statements of the Group for the relevant years.

	For the year ended 31 December		
	2020	2019	2018
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
<b>Revenue</b>	<b>409,682</b>	<b>484,260</b>	<b>630,323</b>
Cost of Sales	(150,430)	(146,379)	(169,019)
<b>Gross profit</b>	<b>259,252</b>	<b>337,881</b>	<b>461,304</b>
Selling and distribution expenses	(92,143)	(124,223)	(112,856)
Administrative expenses	(62,655)	(76,395)	(54,248)
Net (impairment losses)/reversal of impairment losses on financial assets	(12,607)	1,160	(8,651)
Research and development expenses	(33,867)	(39,691)	(41,472)
Other income	20,083	45,127	16,746
Other gains/(losses) – net	4,283	8,138	(2,310)
<b>Operating profit</b>	<b>82,346</b>	<b>151,997</b>	<b>258,513</b>
Finance income	11,907	13,126	1,893
Finance expenses	(1,801)	(4,164)	(4,203)
Finance income/(expenses) – net	10,106	8,962	(2,310)
<b>Profit before income tax</b>	<b>92,452</b>	<b>160,959</b>	<b>256,203</b>
Income tax expenses	(10,899)	(20,979)	(34,788)
<b>Profit for the year</b>	<b>81,553</b>	<b>139,980</b>	<b>221,415</b>
<b>Attributable to:</b>			
Equity holders of the Company	79,986	136,532	220,192
Non-controlling interests	1,567	3,448	1,223
	<b>81,553</b>	<b>139,980</b>	<b>221,415</b>
<b>Earnings per Share for profit attributable to equity holders of the Company</b>			
Basic and diluted earnings per Share (expressed in RMB per Share)	1.15	1.96	4.24
<b>Profit for the year</b>	<b>81,553</b>	<b>139,980</b>	<b>221,415</b>
Other comprehensive income	–	–	1,201
<b>Total comprehensive income for the year</b>	<b>81,553</b>	<b>139,980</b>	<b>222,616</b>
<b>Attributable to:</b>			
Equity holders of the Company	79,986	136,532	221,393
Non-controlling interests	1,567	3,448	1,223
	<b>81,553</b>	<b>139,980</b>	<b>222,616</b>



**2. CONSOLIDATED FINANCIAL STATEMENTS**

The Company is required to set out or refer to in this Offer Document the consolidated statements of financial position, consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “2020 Financial Statements”), 31 December 2019 (the “2019 Financial Statements”) and 31 December 2018 (the “2018 Financial Statements”), together with the significant accounting policies and the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements are set out from page 2 to page 3 in the 2020 annual results announcement (the “2020 Annual Results”) of the Company, which was published on 25 March, 2021. The 2020 Annual Results is posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zjcnbyb.com](http://www.zjcnbyb.com)), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0325/2021032501296.pdf>

The 2019 Financial Statements are set out from page 146 to page 222 in the 2019 annual report, which was published on 23 April 2020 (the “2019 Annual Report”). The 2019 Annual Report is posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zjcnbyb.com](http://www.zjcnbyb.com)), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042301240.pdf>

The 2018 Financial Statements are set out from page 64 to page 138 in the 2018 annual report, which was published on 25 April 2019 (the “2018 Annual Report”). The 2018 Annual Report is posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zjcnbyb.com](http://www.zjcnbyb.com)), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn201904252181.pdf>

The auditor of the Company for the years ended 31 December 2018, 2019 and 2020, PricewaterhouseCoopers, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the consolidated financial statements of the Group for each of the years ended 31 December 2018, 2019 and 2020.

The 2020 Financial Statements, 2019 Financial Statements, 2018 Financial Statements and (but not any other parts of the 2020 Annual Results, 2019 Annual Report or 2018 Annual report in which they respectively appear) are incorporated by reference into this Offer Document and form part of this Offer Document.

**3. INDEBTEDNESS**

As at 28 February 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Offer Document, the Group had current bank borrowings of approximately RMB166,900,000, of which approximately RMB80,000,000 was secured and non-guaranteed and approximately RMB86,900,000 was secured and guaranteed. The Group had non-current bank borrowings of approximately RMB70,000,000, which was secured and non-guaranteed. The bank borrowings were secured by plant, land use rights, guarantee deposits and self-developed patents with carrying amounts of RMB6,436,000, RMB1,085,000, RMB50,000,000 and nil, respectively, as at 28 February 2021. As at 28 February 2021, the Group had lease liabilities of approximately RMB1,109,000.

As at 28 February 2021, the Group were involved in certain legal proceedings in connection with guarantees provided to certain third parties and disputes with individuals and other third-party companies. The Group has made sufficient provision for these claims. Other than these legal proceedings, we are not aware of any other pending or potential material legal proceedings involving the Group.

Save as disclosed above, apart from intra-group liabilities, as at 28 February 2021, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

**4. MATERIAL CHANGE**

There was no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

*For illustrative purposes, the Financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide further information about how the financial information of the Group might be affected by the assumption of the completion of the Share Buy-back Offer as if the Share Buy-back Offer had been completed as at 31 December 2020, 1 January 2020 or at any future date.*

The following are illustrative and unaudited pro forma statements of adjusted consolidated net assets per Share and adjusted earnings per Share (the “Unaudited Pro Forma Financial Information”) of the Group attributable to equity holders of the Company which have been prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Share Buy-back Offer as if it had taken place on 31 December 2020 for the unaudited pro forma adjusted consolidated net assets per Share attributable to equity holders of the Company after completion of the Share Buy-back Offer or 1 January 2020 for the pro forma adjusted earnings per Share attributable to equity holders of the Company after completion of the Share Buy-back Offer. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position or financial results of the Group had the Share Buy-back Offer been completed as at 31 December 2020, 1 January 2020 or at any future date.

**Unaudited pro forma statement of adjusted consolidated net assets per Share**

	<b>Audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2020 (Note 1) RMB'000</b>	<b>Estimated costs to be incurred under the Share Buy-back Offer (Note 2) RMB'000</b>	<b>Unaudited pro forma adjusted consolidated net assets attributable to equity holders of the Company as at 31 December 2020 RMB'000</b>
Non-current assets	268,779	–	268,779
Current assets*	1,145,903	(345,535)	800,368
Current liabilities (Note 3)	330,188	–	330,188
Net current assets (Note 3)	815,715	(345,535)	470,180
Non-current liabilities (Note 3)	125	–	125
Net assets	1,084,369	(345,535)	738,834
<b>Net assets attributable to equity holders of the Company</b>	<b>1,069,059</b>	<b>(345,535)</b>	<b>723,524</b>
*Including:			
– Cash and cash equivalents	503,767	(345,535)	158,232
Net assets per Share attributable to equity holders of the Company (RMB)	15.32 (Note 4)		13.94 (Note 5)

## Unaudited pro forma statement of adjusted earnings per Share

	<b>Audited</b>	<b>Earnings</b>	<b>Unaudited</b>
	<b>consolidated profit</b>	<b>per Share</b>	<b>pro forma</b>
	<b>attributable to</b>	<b>attributable to</b>	<b>adjusted</b>
	<b>equity holders of</b>	<b>equity holders of</b>	<b>earnings per</b>
	<b>the Company for</b>	<b>the Company for</b>	<b>Share</b>
	<b>the year ended</b>	<b>the year ended</b>	<b>attributable to</b>
	<b>31 December 2020</b>	<b>31 December</b>	<b>equity holders of</b>
		<b>2020</b>	<b>the Company</b>
			<b>after completion</b>
			<b>of the Share</b>
			<b>Buy-back Offer</b>
	<i>(Note 1)</i>	<i>(Note 4)</i>	<i>(Note 6)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share Buy-back of 17,901,167 H Shares at			
HK\$22.00 per Share	79,986	1.15	1.54

## Notes:

- (1) The audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2020 and audited consolidated profit attributable to equity holders of the Company for the year ended 31 December 2020 are extracted from the published annual results announcement of the Group for the year ended 31 December 2020.
- (2) The estimated costs to be incurred under the Share Buy-back Offer of RMB345,535,000 include the Share buy-back costs of approximate RMB329,644,000, which is calculated based on 17,901,167 H Shares to be bought back at the offer price of HK\$22.00 per H Share and the related transaction costs of approximately RMB15,891,000.
- (3) The estimated costs to be incurred under the Share Buy-back Offer will be settled by cash and therefore the Offer will not have any effect on the liabilities of the Group, and the working capital (expressed as net current assets) as at 31 December 2020 would decrease by approximately 345,535,000 from approximately RMB815,715,000 to approximately RMB470,180,000.
- (4) The consolidated net assets per Share attributable to equity holders of the Company as at 31 December 2020 and the earnings per Share attributable to equity holders of the Company for the year ended 31 December 2020 were approximately RMB15.32 and approximately RMB1.15 respectively, which was based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2020 of approximately RMB1,069,059,000 and the audited consolidated profit attributable to equity holders of the Company for the year ended 31 December 2020 of approximately RMB79,986,000 respectively, and on the basis that 69,791,167 shares were in issue as at 31 December 2020 and throughout the year ended 31 December 2020.
- (5) The unaudited pro forma adjusted consolidated net assets per Share attributable to equity holders of the Company after completion of the Share Buy-back Offer is arrived at after taking into account of the following (i) the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2020 of approximately RMB1,069,059,000 (Note 1) deducted by the estimated costs to be incurred

under the Share Buy-back Offer of approximately RMB345,535,000 (Note 2) and (ii) on the basis that 69,791,167 shares were in issue as at 31 December 2020 and 17,901,167 H Shares were bought-back under the Share Buy-back Offer, resulting in 51,890,000 shares, assuming the Share Buy-back Offer had been completed on 31 December 2020.

- (6) The unaudited pro forma adjusted earnings per Share attributable to equity holders of the Company after completion of the Share Buy-back Offer is arrived at after taking into account of the audited consolidated profit attributable to equity holders of the Company for the year ended 31 December 2020 of approximately RMB79,986,000 (Note 1) and on the basis that 69,791,167 H Shares were in issue as at 1 January 2020 and 17,901,167 shares were bought back under the Share Buy-back Offer, resulting in 51,890,000 shares throughout the year ended 31 December 2020, assuming the Share Buy-back Offer had been completed on 1 January 2020. The Directors confirm that the related transaction costs of approximately RMB15,891,000 will be debited in full to equity in accordance with the Company's accounting policies.
- (7) For the purposes of the consideration payable from the Share Buy-back Offer, the amount denominated in HK\$ has been converted into RMB at an exchange rate of RMB1.00 to HK\$1.1947. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, at that rate or at all; and
- (8) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Zhejiang Cangnan Instrument Group Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhejiang Cangnan Instrument Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net assets per share attributable to equity holders of the Company as at 31 December 2020, the unaudited pro forma statement of adjusted earnings per share attributable to equity holders of the Company for the year ended 31 December 2020 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-4 of the Company's Offer Document dated 1 April 2021 (the "Offer Document"), in connection with the proposed conditional cash offer by Huatai Financial Holdings (Hong Kong) Limited on behalf of the Company to buy-back the issued H Shares at the offer price of HK\$22.00 per H Share (the "Offer"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-4 of the Offer Document.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Offer on the Group's financial position as at 31 December 2020 and the Group's financial results for the year ended 31 December 2020 as if the Offer had taken place at 31 December 2020 and 1 January 2020 respectively. As part of this process, information about the Group's financial position and financial results have been extracted by the Directors from the Group's financial statements for the year ended 31 December 2020, on which an audit report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*, (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in an Offer Document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Offer at 31 December 2020 or 1 January 2020 respectively would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 1 April 2021

**1. RESPONSIBILITY STATEMENT**

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

**2. SHARE CAPITAL**

As at the Latest Practicable Date, the authorized and issued H Share capital of the Company were as follows:

	<b>Number of H Shares</b>	<b>Amount in RMB</b>
<b>Authorised H Share capital:</b>		
H Shares of RMB1.00 each	17,901,167 H Shares	17,901,167
<b>Issued and fully paid:</b>		
H Shares of RMB1.00 each	17,901,167 H Shares	17,901,167

All the existing issued H Shares are fully paid up or credited as fully paid and rank pari passu in all respects with each other, including all rights in respect of capital, dividends and voting.

The Company has not issued any new H Shares nor did they buy back any H Shares since 31 December 2020, being the end of the last financial year of the Company. The Company has no other outstanding securities, options, warrants or convertible derivatives that affects the H Shares.

For the two financial years preceding the commencement of the Offer Period, there has been no reorganization of capital. The Company did not buy back any H Shares for the 12 months period immediately preceding the date of the Offer Document. The Company did not buy back any H Shares for the two year period immediately preceding the date of the Share Buy-back Offer. For the year ended 31 December 2019, the Company declared and paid a final dividend of RMB0.6 per H Share and for the year ended 31 December 2020, the Board proposed that no final dividend will be distributed. No interim dividend were distributed.

### 3. MARKET PRICES

The table below sets out the closing prices of the H Shares on the Stock Exchange on (i) the first of the Relevant Period, (ii) the last day on which trading took place in each of the calendar months during the Relevant Period; (iii) the last trading day prior to the commencement of the Offer Period; (iv) the Last Trading Day; and (v) the Latest Practicable Date:

	<b>Closing Price</b> (HK\$)
5 August 2020	42.50
31 August 2020	42.40
30 September 2020	38.05
30 October 2020	17.68
30 November 2020	17.00
31 December 2020	17.34
29 January 2021	19.48
5 February 2021 (the last trading day prior to the commencement of the Offer Period)	19.40
26 February 2021	19.96
12 March 2021 (the Last Trading Day)	19.84
30 March 2021 (the Latest Practicable Date)	20.00

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$42.65 per H Share on 24 August 2020 and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$15.72 per H Share on 8 December 2020. The Offer Price is within the range of the lowest and highest closing prices of the H Share during the Relevant Period.

From the beginning of the Relevant Period until 20 October 2020, the closing price of the H Shares experienced a slowly decreasing trend from HK\$42.50 on 5 August 2020 to HK\$35.95 in 20 October 2020 as quoted on the Stock Exchange. Following, the closing price of H Shares experienced a sharp drop from HK\$29.50 on 22 October 2020 to HK\$19.46 on 23 October 2020. Since then (from 27 October 2020 until the Latest Practicable Date), the closing price of H Shares ranged between HK\$15.72 and HK\$20.15. As confirmed by the Directors, they were not aware of any specific event that caused the decreasing trend from the beginning of the Relevant Period until October 2020 nor the sharp drop of H Share closing prices in October 2020.

#### 4. DIVIDEND

The frequency and amount of dividends that have been proposed or paid out by the Company to the H Shareholders, for the years ending 31 December 2018 2019 and 2020, are as follows:

	<b>2018</b> <i>RMB</i>	<b>2019</b> <i>RMB</i>	<b>2020</b> <i>RMB</i>
Interim dividend for the six months ended 30 June	Nil	Nil	Nil
Final dividend per Share for the year ended 31 December	0.80	0.60	Nil

#### 5. DISCLOSURE OF INTERESTS

##### Interests and short positions of Directors in the Company

As at the Latest Practicable Date, none of the Directors and chief executive of the Company has any interest and short position in the H Shares of the Company which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

As of the Latest Practicable Date, none of the Directors or their respective associates had an interest in a business that competed with or might compete with the business of the Company.

##### Interests of substantial shareholders in the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors, the following persons had, or were deemed or taken to have interests or short positions in the H Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

	<b>Capacity</b>	<b>No. of H Shares held/interested</b>	<b>Approximate % of interest</b>
ZS Capital Fund SPC	Legal and beneficial owner	4,923,800	27.50
Mr. Xi Deping <sup>1</sup>	Interest held by controlled corporation	4,923,800	27.50
Mr. Shao Shun	Legal and beneficial owner	2,408,000	13.45

*Note:*

1. Mr. Xi Deping is deemed to be interested in the equity interests held by ZS Capital Fund SPC on behalf of ZS Investment Fund SP, due to the fact that Mr. Xi Deping holds all the shares in ZS Capital Fund SPC.

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the H Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 6. SERVICE CONTRACTS

The table below summarizes details of the service contracts of the Directors:

Name of Director	Contract Term	Contract Period	Annual remuneration
Mr. Hong Zuobin	3 years	10 June 2020 – 9 June 2023	RMB925,000
Mr. Huang Youliang	3 years	10 June 2020 – 9 June 2023	RMB862,500
Mr. Jin Wensheng	3 years	10 June 2020 – 9 June 2023	RMB650,000
Mr. Yin Xingjing	3 years	10 June 2020 – 9 June 2023	RMB650,000
Mr. Zhang Shengyi	3 years	10 June 2020 – 9 June 2023	RMB650,000
Ms. Lin Zichan	3 years	10 June 2020 – 9 June 2023	RMB650,000
Mr. Lin Zhongzhu	3 years	10 June 2020 – 9 June 2023	RMB650,000
Mr. Ye Xiaosen	3 years	10 June 2020 – 9 June 2023	RMB144,000
Mr. Hou Zukuan	3 years	10 June 2020 – 9 June 2023	RMB144,000
Mr. Ng Jack Ho Wan	3 years	10 June 2020 – 9 June 2023	RMB144,000
Mr. Wong Hak Kun	3 years	10 June 2020 – 9 June 2023	RMB144,000
Mr. Wang Jingfu	3 years	10 June 2020 – 9 June 2023	RMB144,000
Mr. Li Jing	3 years	10 June 2020 – 9 June 2023	RMB144,000
Mr. Su Zhongdi	3 years	10 June 2020 – 9 June 2023	RMB144,000

Save as disclosed above, none of the Directors has any existing or proposed service contracts with any member of the Group which (i) have been entered into or amended within 6 months before the commencement of the Offer Period (including both continuous and fixed terms contracts); (ii) are continuous contracts with a notice period of 12 months or more; and (iii) are fixed terms contracts with more than 12 months to run irrespective of the notice period.

**7. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY**

As at the Latest Practicable Date, 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 set out in the shareholding table on page 17 to 18 to this Offer Document, the Company, the Directors and parties acting in concert with any of them 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 on the shareholdings of H Shares and the Domestic Shares, please see the section headed “Letter from the Board – The Voluntary Withdrawal – Shareholding of the Company”.

As at the Latest Practicable Date, 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 Latest Practicable Date. Taking into account the fact that no parties acting in concert with the Company or the Directors owned any H Shares, a total of 17,901,167 H Shares will be subject to the Share Buy-back Offer.

As at the Latest Practicable Date, the Company has 51,890,000 Domestic Shares in issue. Taking into account the fact that 32,548,700 Domestic Shares, representing 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 Directors, supervisors, senior management and parties acting in concert with any of them, such shareholders of 32,548,700 Domestic Shares will be abstained from voting at the Domestic Shareholders Class Meeting and the EGM, whilst a total of 19,341,300 Domestic Shares, representing 37.27% 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 Shareholders Class Meeting and the EGM. Other than the Domestic Shareholders as set out in the shareholding table on pages 17 to 18 to this Offer Document, none of the Shareholders (including H Shareholders) have irrevocably committed themselves to accept or reject the Share Buy-back Offer.

None of the Company, the Directors and parties acting in concert with any of them have borrowed or lent any Shares. None of the Company, the Directors and parties acting in concert with any of them has dealt for value in the H Shares or Domestic Shares during the period beginning six months prior to the Offer Period and ending with the Latest Practicable Date.

**8. EGM AND CLASS MEETINGS COVID-19 PREVENTION AND CONTROL**

Taking into account the recent development of the pandemic caused by COVID-19, the Company will implement the following prevention and control measures at the EGM and class meetings to protect the Shareholders from the risk of infection:

- (a) compulsory body temperature checks will be conducted for every attending Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- (b) every attending Shareholder or proxy is required to wear a surgical mask throughout the EGM and the class meetings; and
- (c) no refreshments will be served at the EGM and/or the class meetings.

Furthermore, the Company wishes to advise all of its Shareholders, particularly any Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the EGM and/or class meetings as a proxy to attend and vote on any of the resolutions, instead of attending the EGM and/or the class meetings in person. The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the PRC government, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the EGM and/or class meetings.

**9. DEALINGS DISCLOSURE OBLIGATIONS**

The Company and its associates will observe the disclosure obligations (regardless of any value) of dealings in the securities of the Company under Rule 22 of the Takeovers Code.

On posting this Offer Document, the Company also serves a reminder note reminding of their disclosure obligations regarding their dealings in any securities of the Company under Rule 22 of the Takeovers Code.

In accordance with Note 11 to Rule 22 of the Takeovers Code, stockbrokers, banks and others who deal in any securities of the Company 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 and other persons 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. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any securities of the Company undertaken for a client during any 7 day period is less than HK\$1 million.

Intermediaries are expected to co-operate with the Executive in its dealing enquiries. Therefore, those who deal in the securities of the Company 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.

## **10. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against either the Company or any of its subsidiaries.

## **11. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) has been entered into by the members of the Group within the two years immediately preceding the date of commencement of the Offer Period and up on the Latest Practicable Date which are or may be material:

- (a) a limited partnership agreement dated 11 December 2020 entered into between and among the Company, Wenzhou Lianchuang Yongxuan Investment Management Co., Ltd., Zhang Feng, Wang Huasheng, Lu Ensheng, Yang Hongsheng, Wenzhou Yongxuan Investment Enterprise (Limited Partnership), Lu Jibao, Xie Shiyun, Huang Qingyi with respect to the investment in a limited partnership enterprise, Wenzhou Yongrun Investment Partnership (Limited Partnership) (溫州永潤投資合夥企業(有限合夥));
- (b) a construction contract dated 19 January 2021 entered into between the Company and Wenzhen Zhonggang Construction Engineering Co., Ltd., pursuant to which Wenzhou Zhonggang Construction Engineering Co., Ltd. will provide certain construction services to the Company for a consideration of RMB130.33 million; and
- (c) a partnership withdrawal agreement to the limited partnership agreement as stated in item (1) dated 17 March 2021, pursuant to which the Company agrees to withdraw from the limited partnership enterprise.

## **12. ARRANGEMENTS AFFECTING DIRECTORS**

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) had been and would be given to any Director as compensation for loss of office or otherwise in connection with the Share Buy-back Offer;



- (b) there was no agreement or arrangement between any Director or any other person which was conditional on or dependent upon the outcome of the Share Buy-back Offer or otherwise connected with the Share Buy-back Offer; and
- (c) no material contract had been entered into by the Company in which any Director has a material person interest.

### **13. CONSENTS AND QUALIFICATIONS**

The following are the names and qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Offer Document.

<b>Name</b>	<b>Qualifications</b>
Huatai	a 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
Gram Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)

Each of Huatai, Gram Capital and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion of the text of its letter and/or report and the references to its name in the form and content in which they appear therein.

### **14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection on (i) the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) and (ii) the Company's website ([www.zjcnbyb.com](http://www.zjcnbyb.com)) during the period from the date of this Offer Document for so long as the Share Buy-back Offer remains opened for acceptance:

- (a) the memorandum and bye-laws of the Company;
- (b) the annual report of the Company for each of the years ended 31 December 2018 and 2019;

- (c) the annual results announcement of the Company for the year ended 31 December 2020;
- (d) the letter from Huatai, the financial advisor, the text of which is set out in pages 6 to 14 of this Offer Document;
- (e) the letter from the Board, the text of which is set out in pages 15 to 27 of this Offer Document;
- (f) the letter from Gram Capital, the Independent Financial Adviser, the text of which is set out in pages 28 to 48 of this Offer Document;
- (g) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this Offer Document;
- (h) the service contracts as referred to in the section headed “6. Service Contracts” in this Appendix;
- (i) the material contracts referred to in paragraph headed “11. Material Contracts” in this Appendix; and
- (j) the letters of consent referred to in the paragraph headed “13. Consents and Qualifications” in this Appendix.

## **15. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, no agreements, arrangements or understandings (including any compensation arrangement) exist between the Company or any person acting in concert with it and any of the Directors of the Company, recent directors of the Company, and holders or recent holders of the H Shares which is conditional on or dependent upon the outcome of the Share Buy-back Offer and the Voluntary Withdrawal or is otherwise connected with the Share Buy-back Offer and Voluntary Withdrawal.
- (b) The secretary of the Company is Ms. Lin Zichan.
- (c) The registered office of the Company is situated at Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

- (e) The registered office of Huatai, the financial adviser, is at 62/F, The Center, 99 Queen's Road Central, Central, Hong Kong
- (f) The registered office of Gram Capital, the Independent Financial Adviser, is at Suite 1209, 12/F, Nan Fung Tower, 173 Des Voeux Road, Central, Hong Kong.
- (g) The English text of this Offer Document, the accompanying Form of Acceptance, proxy forms and reply slips shall prevail over their respective Chinese text in case of inconsistency.



**Zhejiang Cangnan Instrument Group Company Limited**  
**(浙江蒼南儀錶集團股份有限公司)**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1743)**

**NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of Zhejiang Cangnan Instrument Group Company Limited (the “Company”) will be held at 12:00 noon on 17 May 2021 at Conference Room, 7/F, Building 1, Zhejiang Cangnan Instrument Group Company Limited, Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC for the purposes of considering and, if thought fit, passing the following resolution:

Save as defined otherwise, capitalized terms defined in the Offer Document dated 1 April 2021 issued by the Company shall have the same meanings when used herein.

**RESOLUTION**

1. **THAT** subject to the passing of this same resolution by the Shareholders at the EGM, as approved by way of poll by at least two-thirds (2/3) of the votes attaching to the Shares held by all the Shareholders that are cast either in person or by proxy at the EGM, the approval of the Share Buy-back Offer and the Voluntary Withdrawal pursuant to the Takeovers Code, the Share Buy-back Code and the Listing Rules, and any directors of the Company is authorized to take whatever action necessary and deemed appropriate to give effect to the Share Buy-back Offer and the Voluntary Withdrawal.

By order of the Board of Directors of  
**Zhejiang Cangnan Instrument Group Company Limited**  
**Mr. HONG Zuobin**  
*Chairman*

Hong Kong, 1 April 2021

*As at the date of this notice, 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.*

*Notes:*

**1. ELIGIBILITY FOR ATTENDING THE EGM**

The Shareholders whose names appear on the register of members of the Company on the close of business on 16 April 2021 are entitled to attend and vote at the EGM. Shareholders of the Company who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or the Board office of the Company in the PRC at Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC (for Domestic Shareholders), by no later than 4:30 p.m. on 16 April 2021 for registration.

**2. PROXY**

Shareholders entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in their stand. A proxy need not be a Shareholder of the Company.

The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorized attorney(s). If the proxy form is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorizations document must be notarized.

For Shareholders, the proxy form together with the power of attorney or other authorization document (if any) must be lodged at the Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) or the Board office of the Company in the PRC at Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC (for Domestic Shareholders), in person or by post not less than 48 hours before the time fixed for holding the EGM (i.e. by no later than 12:00 noon on 15 May 2021) or any adjournment thereof (as the case may be). Shareholders can still attend and vote at the EGM upon completion and return of the proxy form.

**3. REPLY SLIP**

Shareholders who intend to attend the EGM in person or by proxy should deliver the reply slip to the Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) or the Board office of the Company in the PRC at Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC (for Domestic Shareholders), on or before Tuesday, 27 April 2021.

**4. ADDRESS AND TELEPHONE NUMBER OF THE CONTACT PERSON WHO HANDLES THE MEETING AFFAIRS**

Name: The Board Office of the Company in the PRC

Address: Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC

Telephone: +86-577-64837701

Fax No.: +86-577-64839306

**5. PROCEDURES FOR VOTING AT THE EGM**

Any vote of Shareholders at the EGM must be taken by poll.

**6. OTHER BUSINESS**

Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the EGM shall produce their identity documents.

**7. References to time and dates in this notice are to Hong Kong time and dates.**



**Zhejiang Cangnan Instrument Group Company Limited**  
**(浙江蒼南儀錶集團股份有限公司)**

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

**(Stock Code: 1743)**

**NOTICE OF THE H SHAREHOLDERS CLASS MEETING**

**NOTICE IS HEREBY GIVEN** that the H Shareholders class meeting (the “**H Shareholders Class Meeting**”) of Zhejiang Cangnan Instrument Group Company Limited (the “**Company**”) will be held at 12:00 noon on 17 May 2021 at Conference Room, 7/F, Building 1, Zhejiang Cangnan Instrument Group Company Limited, Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC for the purposes of considering and, if thought fit, passing the following resolution:

Save as defined otherwise, capitalized terms defined in the Offer Document dated 1 April 2021 issued by the Company shall have the same meanings when used herein.

**RESOLUTION**

1. **THAT** subject to the passing of this same resolution by the Independent H Shareholders at the H Shareholders Class Meeting, as approved by way of poll by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Shareholders Class Meeting and with the number of votes cast by poll against the resolution by the Independent H Shareholders at the H Shareholders Class Meeting amounting to not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders, the approval of the Share Buy-back Offer and the Voluntary Withdrawal pursuant to the Takeovers Code, the Share Buy-back Code and the Listing Rules, and any directors of the Company is authorized to take whatever action necessary and deemed appropriate to give effect to the Share Buy-back Offer and the Voluntary Withdrawal.

By order of the Board of Directors of  
**Zhejiang Cangnan Instrument Group Company Limited**  
**Mr. HONG Zuobin**  
*Chairman*

Hong Kong, 1 April 2021

*As at the date of this notice, 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.*

*Notes:*

**1. ELIGIBILITY FOR ATTENDING THE H SHAREHOLDERS CLASS MEETING**

The H Shareholders whose names appear on the register of members of the Company on the close of business on 16 April 2021 are entitled to attend and vote at the H Shareholders Class Meeting. H Shareholders of the Company who wish to attend the H Shareholders Class Meeting but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on 16 April 2021 for registration.

**2. PROXY**

Shareholders entitled to attend and vote at the H Shareholders Class Meeting may appoint one or more proxies to attend and vote in their stand. A proxy need not be a Shareholder of the Company.

The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorized attorney(s). If the proxy form is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorizations document must be notarized.

For holders of H Shares, the proxy form together with the power of attorney or other authorization document (if any) must be lodged at the Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in person or by post not less than 48 hours before the time fixed for holding the H Shareholder Class Meeting (i.e. by no later than 12:00 noon on 15 May 2021) or any adjournment thereof (as the case may be). Shareholders can still attend and vote at the H Shareholder Class Meeting upon completion and return of the proxy form.

**3. REPLY SLIP**

H Shareholders who intend to attend the H Shareholder Class Meeting in person or by proxy should deliver the reply slip to the Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Tuesday, 27 April 2021.

**4. ADDRESS AND TELEPHONE NUMBER OF THE CONTACT PERSON WHO HANDLES THE MEETING AFFAIRS**

Name: The Board Office of the Company in the PRC

Address: Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC

Telephone: +86-577-64837701

Fax No.: +86-577-64839306

**5. PROCEDURES FOR VOTING AT THE H SHAREHOLDERS CLASS MEETING**

Any vote of Shareholders at the H Shareholders Class Meeting must be taken by poll.

**6. OTHER BUSINESS**

H Shareholders (in person or by proxy) attending the H Shareholder Class Meeting are responsible for their own transportation and accommodation expenses. H Shareholders or their proxies attending the H Shareholder Class Meeting shall produce their identity documents.

**7. References to time and dates in this notice are to Hong Kong time and dates.**



**Zhejiang Cangnan Instrument Group Company Limited**  
**(浙江蒼南儀錶集團股份有限公司)**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1743)**

**NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING**

**NOTICE IS HEREBY GIVEN** that the Domestic Shareholders class meeting (the “**Domestic Shareholders Class Meeting**”) of Zhejiang Cangnan Instrument Group Company Limited (the “**Company**”) will be held at 12:00 noon on 17 May 2021 at Conference Room, 7/F, Building 1, Zhejiang Cangnan Instrument Group Company Limited, Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC for the purposes of considering and, if thought fit, passing the following resolution:

Save as defined otherwise, capitalized terms defined in the Offer Document dated 1 April 2021 issued by the Company shall have the same meanings when used herein.

**RESOLUTION**

1. **THAT** subject to the passing of this same resolution by the Domestic Shareholders at the Domestic Shareholders Class Meeting, as approved by way of poll by at least two-thirds (2/3) of the votes attaching to the Shares held by the Domestic Shareholders that are cast either in person or by proxy at the Domestic Shareholders Class Meeting, the approval of the Share Buy-back Offer and the Voluntary Withdrawal pursuant to the Takeovers Code, the Share Buy-back Code and the Listing Rules, and any directors of the Company is authorized to take whatever action necessary and deemed appropriate to give effect to the Share Buy-back Offer and the Voluntary Withdrawal.

By order of the Board of Directors of  
**Zhejiang Cangnan Instrument Group Company Limited**  
**Mr. HONG Zuobin**  
*Chairman*

Hong Kong, 1 April 2021

*As at the date of this notice, 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.*



*Notes:*

**1. ELIGIBILITY FOR ATTENDING THE DOMESTIC SHAREHOLDERS CLASS MEETING**

The Domestic Shareholders whose names appear on the register of members of the Company on the close of business on 16 April 2021 are entitled to attend and vote at the Domestic Shareholders Class Meeting. Domestic Shareholders of the Company who wish to attend the Domestic Shareholders Class Meeting but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the Board office of the Company in the PRC at Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC by no later than 4:30 p.m. on 16 April 2021 for registration.

**2. PROXY**

Domestic Shareholders entitled to attend and vote at the Domestic Shareholders Class Meeting may appoint one or more proxies to attend and vote in their stand. A proxy need not be a Shareholder of the Company.

The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorized attorney(s). If the proxy form is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorizations document must be notarized.

For Domestic Shareholders, the proxy form together with the power of attorney or other authorization document (if any) must be lodged at the Board office of the Company in the PRC at Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC in person or by post not less than 48 hours before the time fixed for holding the Domestic Shareholders Class Meeting (i.e. by no later than 12:00 noon on 15 May 2021) or any adjournment thereof (as the case may be). Shareholders can still attend and vote at the Domestic Shareholders Class Meeting upon completion and return of the proxy form.

**3. REPLY SLIP**

Domestic Shareholders who intend to attend the Domestic Shareholders Class Meeting in person or by proxy should deliver the reply slip to the Board office of the Company in the PRC at Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang province, the PRC on or before Tuesday 27, April 2021.

**4. ADDRESS AND TELEPHONE NUMBER OF THE CONTACT PERSON WHO HANDLES THE MEETING AFFAIRS**

Name: The Board Office of the Company in the PRC

Address: Industrial Demonstrative Park, Lingxi Town, Cangnan County, Zhejiang Province, the PRC

Telephone: +86-577-64837701

Fax No.: +86-577-64839306

**5. PROCEDURES FOR VOTING AT THE DOMESTIC SHAREHOLDERS CLASS MEETING**

Any vote of Shareholders at the Domestic Shareholders Class Meeting must be taken by poll.

**6. OTHER BUSINESS**

Domestic Shareholders (in person or by proxy) attending the Domestic Shareholders Class Meeting are responsible for their own transportation and accommodation expenses. Domestic Shareholders or their proxies attending the Domestic Shareholders Class Meeting shall produce their identity documents.

**7. References to time and dates in this notice are to Hong Kong time and dates.**