

**ZHEJIANG CANGNAN INSTRUMENT GROUP COMPANY LTD:  
THE FINANCIALS OF THIS COMPANY MUST BE  
CONSIDERED SOMEWHAT PERPLEXING, N'EST-CE PAS ?**

Zhejiang Cangnan Instrument Group Company Ltd () (Code: 1743, Main Board, The Stock Exchange of Hongkong Ltd) is the second-largest industrial and commercial gas flowmeter manufacturer in the People's Republic of China (PRC).

But its rival is continuously nipping at this Company's Achilles' heel.

As such, competition between the two-largest producers of industrial and commercial gas flowmeters in the PRC is fierce and, with just eight tenths of a one percentage point, separating the two manufacturers in terms of the market share in the PRC, the battle rages on a daily basis.

(A '*gas flowmeter*' is defined as being an instrument for measuring, storing and displaying the amount of gas, passing through the flow sensor, while a gas meter is normally a diaphragm gas meter, encased in glass meters, relating to the Zhejiang Cangnan Instrument Group Company Ltd.)

**The Initial Public Offering (IPO) Of**

**Zhejiang Cangnan Instrument Group Company Ltd**

Management of Zhejiang Cangnan Instrument Group Company Ltd pitched its Global Offering Prospectus on December 19, 2018.

The Company Offered a total of 17,296,667 '*H*' Shares of a Nominal Value of one renminbi Per Share, at

the Indicative Offer Price Per Share, ranging from a low of \$HK13.50 to a high of \$HK18.90.

Investors of the Hongkong Special Administrative Region (HKSAR) of the PRC were encouraged to subscribe to 1,729,800 'H' Shares while International Investors – Institutions, Professionals, and/or select, Well-Heeled Investors/Corporate Entities – were Offered the opportunity to subscribe to 15,566,867 'H' Shares.

On January 3, 2019, Management announced that the Offer Price Per Share had been struck at \$HK15.80 and that the results of the IPO would be to enrich the Company's coffers by about \$HK215.10 million.

The utilisations of the net proceeds of this call-for-cash are stated at Pages 226 through to 230 of the Global Offering Prospectus as follows, along with this medium's corrections to match the Offer Price Per Share of \$HK15.80:

1. About 55 percent of the net proceeds (that is approximately \$HK118.31 million), shall be allotted *'for the intelligent gas flowmeter modification and upgrade project, which mainly adopt flow measurement, new sensors, new automatic instruments and meters, electronic and information technology, advanced industrial robot, automated production line and other relevant technology or processes. Among them, the flow measurement technology used in this project include velocity and positive displacement flow measurement technology. Velocity flow measurement technology refers to the technique of directly measuring the flow speed of mediums and converting it into flow, which is mainly applied to turbine flowmeter ...'*;
2. About 20 percent of the net proceeds (that is approximately \$HK43 million) *'for the construction project of Internet-of-Things gas measurement and transmission and distribution management platform ()*. This project mainly consists of three parts, covering investment in software and hardware for private cloud platform, research and development expenses for Internet-of-Things terminal devices, research and development expenses for sub-system software.  
  
*'The Internet-of-Things gas measurement and transmission and distribution management platform of Cangnan Instrument is a comprehensive management platform that is based on cloud servers and integrates software and hardware. This platform will provide gas companies with one-stop service covering remote meter reading, air charging, wireless valve control, online price adjustment, online payment, service, safety inspection, on-site inspection and equipment management and control, making itself an important management platform for the information-based, Internet-based, intelligent, meticulous and efficient management of gas companies'*;
3. About 15 percent of the net proceeds (that is about \$HK32.27 million) *'for the flowmeter testing and inspection laboratory project which targets EN12261 and other European standard requirements, covering calibration of high-pressure actual flow for velocity flowmeters such as turbine flowmeter for trade measure and ultrasonic flowmeter, including expenditures on loop circulation device, flow transmission standard and relevant testing device, pressure, temperature and flow regulation devices,*

*in-process gas cooling and dehydrating devices, and other investments’; and,*

4. About 10 percent of the net proceeds (that is approximately \$HK21.50 million) ‘*to be used for working capital related to our principal businesses and other general corporate purposes*’.

## **The History And Business Of**

## **Zhejiang Cangnan Instrument Group Company Ltd**

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