

IPO FACT SHEET
Zhejiang Cangnan Instrument Group Company Ltd. (1743 HK)
ISSUE STATISTICS

Offer Size:	HK\$233.51m – HK\$326.91m
Placement Tranche:	17.297m
Price:	HK\$13.50 - HK\$18.90
Board lot:	200
Entry fee:	HK\$3,818.09
Historical PE	3.40x - 4.76x
Net tangible asset per share:	HK\$12.79 - HK\$14.09
Market Cap (post-IPO):	HK\$233.5m - HK\$326.9m
Open:	19 Dec 2018
Close:	12.00 noon on 27 Dec 2018
Trading:	04 Jan 2019
Sponsor:	ABC International

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2016	444,160	22.5%
2017	669,813	50.8%
Profit for the years/period		
2016	117,883	222.6%
2017	241,683	105.0%

BACKGROUND

- They are a leading industrial and commercial gas flowmeter manufacturer in China.
- Their operations can be traced back to 1977. Leveraging over 40 years of industry experience, They are dedicated to 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.
- According to Frost & Sullivan, They ranked second in the industrial and commercial gas flowmeter industry in China in terms of revenue in 2017, with their revenue from the sales of industrial and commercial gas flowmeter products amounting to RMB597.9 million, representing a market share of 36.8%.
- They have developed various series of residential gas meter products and possess the production capacity to produce 300,000 units of residential gas meters per annum.

BUSINESS STRATEGY AND FUTURE PLANS

- Continue to invest in R&D to enhance the competitiveness of their products.
- Supplement and upgrade their product portfolio, expand their business lines and increase their production scale.
- Enhance sales and marketing efforts.
- Improve operational management.

COMPETITIVE STRENGTHS

- They are a leading industrial and commercial gas flowmeter manufacturer in China.
- They are well-positioned to capture the significant growth potential of the PRC natural gas and nuclear power industries in China.
- They have strong R&D capabilities.
- They have established a solid and expanding customer base.
- They have a senior management team with extensive experience and a highly skilled and incentivized work force.

KEY RISKS

- Demand for their products primarily depends on the trends and developments in the gas industry in China.
- They may lose major customers, or fail to generate purchase orders from their existing customers at historical levels or secure new, substitute customers with sufficient demand.
- They may be unable to effectively manage their sales and service network.
- They face intense competition in their business.
- Their business performance depends on the utilisation, reliability and functioning of their production machineries and equipment.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Intelligent gas flowmeter modification and upgrade project.	118.9	55.0%
Construction project of Internet-of-Things (IoT) gas measurement and transmission and distribution management platform (terminal)	43.2	20.0%
Flowmeter testing and inspection laboratory project.	32.4	15.0%
Working capital related to principal businesses and other general corporate purposes.	21.6	10.0%
Total:	216.1	100.00%

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