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Analogue Holdings Limited
安樂工程集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1977)

**MAJOR AND CONNECTED TRANSACTION
INVOLVING THE DISPOSAL OF
2% OF EQUITY INTERESTS IN THE TARGET COMPANY**

THE AGREEMENT

The Board is pleased to announce that on 10 August 2020 (Eastern Time and after trading hours of the Stock Exchange), the Seller, a wholly-owned subsidiary of the Company, entered into the Agreement with the Buyer in relation to the Disposal, pursuant to which the Seller has agreed to sell, and the Buyer has agreed to purchase, the Sale Shares for a Consideration of US\$1.4 million (equivalent to approximately HK\$10.92 million).

LISTING RULES IMPLICATIONS

As at the date of the Agreement, the Target Company is a 51% owned subsidiary of the Company and is owned by the Buyer as to 29.4%. Therefore, the Buyer is a substantial shareholder of the Target Company and is a connected person of the Company at the subsidiary level under the Listing Rules. The Disposal thus constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the connected transaction between the Buyer and the Seller is on normal commercial terms, the connected transaction is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Further, as one or more of the applicable percentage ratios (as defined in the Listing Rules) as calculated under Rule 14.06 of the Listing Rules in respect of the Disposal is more than 25% but all of the percentage ratios are less than 75%, the Disposal constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. The Disposal is subject to the reporting, announcement and the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

None of the Directors had material interests in the Disposal and hence no Director is required to abstain from voting on the Board resolutions approving the Agreement and the transactions contemplated thereunder. So far as the Company is aware, having made all reasonable enquiries, no Shareholder has a material interest in, and would be required to abstain from voting on the resolution to approve, the Disposal if the Company were to convene a general meeting to approve the same.

The Company has received written Shareholders' approval in respect of the Disposal from Arling Investment Limited, which holds 888,650,000 issued shares of the Company (representing approximately 63.48% of the total issued shares of the Company) as at the date of this announcement, in accordance with Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Disposal.

DESPATCH OF CIRCULAR

It is anticipated that a circular containing further information relating to the Disposal and other information required by the Listing Rules will be despatched to the Shareholders (for information purposes only) on or before 1 September 2020.

INTRODUCTION

The Board is pleased to announce that on 10 August 2020 (Eastern Time and after trading hours of the Stock Exchange), the Seller, a wholly-owned subsidiary of the Company, entered into the Agreement with the Buyer in relation to the Disposal, pursuant to which the Seller has agreed to sell, and the Buyer has agreed to purchase, the Sale Shares for a Consideration of US\$1.4 million (equivalent to approximately HK\$10.92 million).

THE AGREEMENT

The major terms of the Agreement are as follows:

Date 10 August 2020 (Eastern Time and after trading hours of the Stock Exchange)

Parties: Seller: Anlev (US) LLC, a wholly-owned subsidiary of the Company
Buyer: Mark Gregorio, an individual. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Buyer is a U.S. citizen who is a shareholder holding 29.4% equity interest in the Target Company as at the date of the Agreement. Accordingly, the Buyer is a substantial shareholder of the Target Company and is a connected person of the Company at the subsidiary level under the Listing Rules.

Subject of the Disposal

Pursuant to the Agreement, the Seller has agreed to sell, and the Buyer has agreed to purchase, the Sale Shares, representing 2% of the equity interests in the Target Company.

Consideration

The Consideration payable for the Sale Shares shall be US\$1.4 million (equivalent to approximately HK\$10.92 million). The Consideration will be paid by wire of immediately available funds to an account directed by the Seller within five (5) days of the Agreement.

The Consideration was determined after arms' length negotiations between the Buyer and the Seller with reference to, among others, the net asset value of the Target Company as at 31 December 2019 and the business prospects of the Target Company.

Completion

Completion took place immediately upon signing of the Agreement at 10:00 a.m. on the date of the Agreement (Eastern Time).

Upon Completion, the Seller disposed of its 2% equity interests in the Target Company and the Target Company will cease to be a subsidiary of the Company.

AMENDMENTS TO THE SHAREHOLDERS' AGREEMENT

Simultaneously with the execution of the Agreement, each of the Target Company, the Buyer and the Other Existing Shareholders executed the Amendment Document to amend and supplement certain terms of the Shareholders' Agreement. The amendments to the Shareholders' Agreement are as follow:

Board composition

Pursuant to the Shareholders' Agreement, the board of directors of the Target Company shall comprise of three directors designated by the Seller and two directors designated by the Other Existing Shareholders holding at least 80% of all the shares in the Target Company owned by the Other Existing Shareholders ("**Majority Shareholders**").

According to the Amendment Document, the Shareholders' Agreement has been amended such that each of the Seller and the Majority Shareholders can designate two individuals to be the directors of the Target Company.

Right of first refusal

Pursuant to the Amendment Document, an additional right of first refusal has been granted to the Seller such that prior to the Buyer completing transfer of any of his shares in the Target Company, the Buyer shall first offer to the Seller an amount of shares equal to the excess of 1 and 1/3rds of a share of common stock of the Target Company (or such other amount of shares in the Target Company as then represents 2% of the outstanding equity of the Target Company).

Save as disclosed above, all other terms and conditions of the Shareholders' Agreement remain in full force and effect.

INFORMATION OF THE GROUP AND THE SELLER

The Group is a leading electrical and mechanical (“E&M”) engineering service provider in Hong Kong which provides multi-disciplinary and comprehensive E&M engineering and technology services, including (i) building services, (ii) environmental engineering, (iii) information, communications and building technologies, and (iv) lifts and escalators.

The Seller is a Delaware limited liability company. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

INFORMATION OF THE BUYER

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Buyer is a U.S. citizen who is a shareholder holding 29.4% equity interest in the Target Company as at the date of the Agreement.

INFORMATION OF THE TARGET COMPANY

The Target Company is a corporation incorporated in New York which is principally engaged in the business of providing new construction, modernization, repair and maintenance services in the vertical transportation sector for both residential and commercial real estate customers.

The original acquisition cost of the Sale Shares paid by the Seller was approximately US\$1.4 million (equivalent to approximately HK\$10.92 million). Based on the audited financial statements of the Target Company for the year ended 31 December 2019 prepared in accordance with GAAP, the net asset value of the Target Company as at 31 December 2019 was approximately US\$16.6 million (equivalent to approximately HK\$129.5 million). Some of the financial data of the Target Company as extracted from its financial statements prepared in accordance with GAAP is set out below:

| | For the year ended 31 December | |
|------------------------|---------------------------------------|------------------------|
| | 2018 | 2019 |
| | (audited) | (audited) |
| | <i>US\$’ million</i> | <i>US\$’ million</i> |
| | <i>(approximately)</i> | <i>(approximately)</i> |
| Profit before taxation | 3.2 | 10.5 |
| Profit after taxation | 3.6 | 10.2 |

FINANCIAL EFFECTS OF THE DISPOSAL

The Directors do not expect to recognise any gain/loss from the Disposal. Shareholders should note that the actual amount of gain/loss on the Disposal to be recorded by the Company (if any) will be subject to review by the auditors of the Company.

The Group currently intends to use the net proceeds from the Disposal for the general working capital of the Group. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated with the results of the Group thereafter.

REASONS FOR AND BENEFITS OF THE DISPOSAL

With the advice from its U.S. legal counsel, the Company has reassessed the regulatory, operating and business environment in the U.S. and has determined with the board of the Target Company that it is in the best interest for Target Company to have Target Company's local management increase their equity stakes in the Target Company due to latest changing Sino-U.S. tension. Accordingly, the Directors consider that the Disposal would serve the best commercial interests as a whole of the Company, its Shareholders and investors, the Target Company and its shareholders, and other stakeholders and business partners of the Target Company including its customers and suppliers, after taking into account the business and customer base of the Target Company.

The terms of the Agreement were determined after arm's length negotiations between the Company and the Buyer and having considered the reasons for and benefits of the Disposal as mentioned above. The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of the Agreement, the Target Company is a 51% owned subsidiary of the Company and is owned by the Buyer as to 29.4%. Therefore, the Buyer is a substantial shareholder of the Target Company and is a connected person of the Company at the subsidiary level under the Listing Rules. The Disposal thus constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the connected transaction between the Buyer and the Seller is on normal commercial terms, the connected transaction is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Further, as one or more of the applicable percentage ratios (as defined in the Listing Rules) as calculated under Rule 14.06 of the Listing Rules in respect of the Disposal is more than 25% but all of the percentage ratios are less than 75%, the Disposal constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. The Disposal is subject to the reporting, announcement and the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

None of the Directors had material interests in the Disposal and hence no Director is required to abstain from voting on the Board resolutions approving the Agreement and the transactions contemplated thereunder. So far as the Company is aware, having made all reasonable enquiries, no Shareholder has a material interest in, and would be required to abstain from voting on the resolution to approve, the Disposal if the Company were to convene a general meeting to approve the same.

The Company has received written Shareholders' approval in respect of the Disposal from Arling Investment Limited, which holds 888,650,000 issued shares of the Company (representing approximately 63.48% of the total issued shares of the Company) as at the date of this announcement, in accordance with Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Disposal.

DESPATCH OF CIRCULAR

It is anticipated that a circular containing further information relating to the Disposal and other information required by the Listing Rules will be despatched to the Shareholders (for information purposes only) on or before 1 September 2020.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

| | |
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| “Agreement” | the share purchase agreement dated 10 August 2020 (Eastern Time) entered into among the Seller and the Buyer in relation to the Disposal |
| “Amendment Agreement” | the amendment, consent and waiver dated 10 August 2020 (Eastern Time) entered into among the Seller, the Other Existing Shareholders and the Target Company to amend and supplement the Shareholders’ Agreement |
| “Board” | the board of Directors |
| “Buyer” | Mark Gregorio, an individual |
| “Company” | Analogue Holdings Limited (stock code: 1977), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange |
| “Completion” | completion of the Disposal in accordance with the terms and conditions of the Agreement, which took place at 10:00 a.m. (Eastern Time) on the date of the Agreement |
| “Consideration” | the consideration payable by the Buyer to the Seller for the Sale Shares in the amount of US\$1.4 million (equivalent to approximately HK\$10.92 million) |
| “Directors” | directors of the Company |
| “Disposal” | the disposal of the Sale Shares from the Seller to the Buyer pursuant to the terms and conditions of the Agreement |
| “Eastern Time” | Eastern Time Zone |
| “GAAP” | United States generally accepted accounting principles in effect from time to time |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “Other Existing Shareholders” | apart from the Seller, all other existing shareholders of the Target Company as at the date of this announcement, who are six individuals being (a) Mark Gregorio (i.e. the Buyer); (b) Michael Staub; (c) Juan Rondon; (d) Kevin Lynch; (e) Wayne Locker; and (f) Angela Williams |
| “Sale Shares” | 1 and 1/3rds of a share of common stock of the Target Company, representing 2% of the equity interests in the Target Company |
| “Seller” | Anlev (US) LLC, a Delaware limited liability company and an indirect wholly-owned subsidiary of the Company |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Shareholders’ Agreement” | the shareholder’s agreement dated 31 March 2020 (Eastern Time) entered into among the Seller, the Other Existing Shareholders and the Target Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Transel Elevator & Electric Inc., a corporation incorporated in New York that is principally engaged in the business of providing new construction, modernization, repair and maintenance services in the vertical transportation sector for both residential and commercial real estate customers |
| “US\$” | United States Dollars, the lawful currency of the U.S. |
| “U.S.” | United States of America |
| “%” | per cent |

By Order of the Board
ANALOGUE HOLDINGS LIMITED
Dr. Poon Lok To Otto
Chairman

Hong Kong, 11 August 2020

For the purpose of this announcement, unless otherwise indicated, conversions of US\$ into HK\$ is calculated at the approximate exchange rate of US\$1.00 to HK\$7.80. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

As at the date of this announcement, the executive directors of the Company are Dr. Poon Lok To Otto, Mr. Law Wei Tak and Mr. Chan Hoi Ming; the non-executive director of the Company is Dr. Mak Kin Wah and the independent non-executive directors of the Company are Mr. Chan Fu Keung, Mr. Lam Kin Fung Jeffrey and Mr. Wong King On Samuel.