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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Analogue Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 28 June 2019 (the “**Prospectus**”) in relation to the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the interim report of the Group for the six months ended 30 June 2020 (the “**Interim Report**”) and the announcement of the Company dated 21 August 2020 (the “**Announcement**”) in relation to the updates regarding use of proceeds. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus.

CHANGE IN USE OF PROCEEDS

As disclosed in the Interim Report, aggregate net proceeds raised by the Company from Global Offering were approximately HK\$335.7 million (“**Net Proceeds**”). As at 31 October 2020, being the latest practicable date for the purpose of this announcement, the unutilized Net Proceeds amounted to approximately HK\$245.7 million (the “**Unutilised Net Proceeds**”). The Board has resolved to change the use of the Unutilised Net Proceeds as follows:

	Original allocation of approximate amount of Net Proceeds <i>HK\$'M</i>	Approximate actual amount of utilized Net Proceeds up to 31 October 2020 <i>HK\$'M</i>	Approximate amount of Unutilised Net Proceeds as at 31 October 2020 <i>HK\$'M</i>	Revised allocation of the Unutilised Net Proceeds <i>HK\$'M</i>
Supporting the expansion and development of the building services segment (Note a)	67.1	34.6	32.5	42.4
Enhancing engineering capabilities in the environmental engineering segment (Note b)				
– acquisition of, investment in, cooperating or forming joint ventures	59.3	17.1	42.2	5.6
– support the expansion and development of environmental engineering segment, including project working capital needs and additional investment in development of advanced environmental process technologies	41.4	0.5	40.9	40.9
Enhancing engineering capabilities of the ICBT segment (Note a)				
– setting up dedicated research and development teams	19.3	6.0	13.3	13.3
– acquisition of, or investment in, companies which possess innovative technology	47.8	–	47.8	–
Expansion and development of the lifts and escalators segment (Note b)				
– expanding existing manufacturing facilities and construction of a new production plant	54.1	–	54.1	–
– setting up export sales office and sales and service centres in Mainland China	13.0	–	13.0	–
– expanding existing manufacturing facilities	–	–	–	67.1
Acquisition of, or investment in, companies	–	–	–	68.0
General working capital (Note a)	33.7	31.8	1.9	8.4
Total	335.7	90.0	245.7	245.7

Note a: the expected timeline for using the Unutilised Net Proceeds was on or before 31 December 2020 as disclosed in the Announcement.

Note b: the expected timeline for using the Unutilised Net Proceeds was on or before 31 December 2021 as disclosed in the Announcement.

For the reasons set out below, expected timeline for using all the Unutilised Net Proceeds as set out above are extended to on or before 31 December 2022.

Save for the aforesaid changes, there are no other changes in the use of the Net Proceeds from the Global Offering.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The outbreak of novel coronavirus disease (COVID-19) pandemic and its consequential travel restrictions around the globe and corresponding lockdown measures which have been strictly enforced in many countries, have all affected the global social and economic environments. The Board is of the view that the use of the Unutilised Net Proceeds should be appropriately adjusted to better cope with the current economic conditions and future challenges brought by COVID-19.

Increase in general working capital

Despite the exceptional circumstances, the Company has achieved historical high value of outstanding contracts in hand as at 31 October 2020 which stood at approximately HK\$10.9 billions as compared to approximately HK\$9.4 billions as at 31 December 2019, notwithstanding the difficulty in business development due to the restrictions on travel and enforced lockdown measures. In addition, the Group's business has achieved record high value in order intakes. To support the same, more of the Unutilised Net Proceeds will be applied in supporting the outstanding contracts in hands and order intakes, thus the re-allocation of additional Unutilised Net Proceeds to general working capital use. After the re-allocation, the revised allocation of the Unutilised Net Proceeds for general working capital use will be approximately HK\$8.4 million.

Re-allocation of Unutilised Net Proceeds for acquisition of or investment in companies in the environmental engineering and the ICBT business segments to general acquisition of or investment in companies

Business Partnerships

It is the Group's plan to expand its business through different types of business partnerships for all four of its business segments. In relation to business partnership opportunities, experience and recent market conditions have shown that it is difficult to ascertain what business partnership opportunities (e.g. acquire or invest in companies, etc.) would arise in which one of the Group's four business segments and in what time scale. The Board is of the view that it is time to regroup and review under the current restrictions and the time plan for the use of the Unutilised Net Proceeds relating to these areas and business segments. The Board considers that it is more appropriate to regroup the Unutilised Net Proceeds in the total sum of approximately HK\$68 million to acquisition of or investment in companies on an overall basis, rather than allocation of Unutilised Net Proceeds for acquisitions designated for a specific business segment, namely the environmental engineering segment or the ICBT business segment. The Group remains resolute to continue to search for business partnership opportunities, both locally in the region and on a global basis. It is the Group's plan to expand its business through different types of business partnerships for all four of its business segments. Currently, there is no definitive target identified, nor has any due diligence process been commenced or definitive agreement been entered into.

Environmental Engineering

As disclosed in the Prospectus, the additional investment in development of advanced environmental process technologies have been delivered successfully and they are now being rolled out in various projects for the Group's customers. Furthermore, these technologies will give us competitive edge in our tendering processes. As these are the Group's technical competitive advantage, the Group will use the Unutilised Net Proceeds of approximately HK\$40.9 million in this business segment, including the application of advanced environmental process technologies into upcoming environmental engineering projects as project working capital needs.

ICBT

A dedicated research and development team has commenced to develop building technologies, such as cloud based intelligent building platform to support the development and ongoing operation of the Group's chiller plant control energy optimisation, automatic fault detection and diagnostics, energy analytics and visualisation. Additionally, IoT Hub platform development with network infrastructure, IoT sensors, big data analytic and integration with building systems will continue to be part of our big data projects and key focus. Smart applications such as people and asset tracking, carpark management and smart toilet are also in our development pipeline. The Group will continue to maintain its support in this business segment and approximately HK\$13.3 million will continue to be used to support the expansion and development of this business segment.

Building services

The building services segment continues to develop and has increased in order intake. In addition, more and more large scale building, data centre, healthcare and infrastructure projects are being or will be rolled out. Timing of the projects are difficult to ascertain as to which of these four sub-sectors will be successful in the tendering process. It is therefore appropriate to allocate additional resources to support the business expansion and development of this business segment.

The Unutilised Net Proceeds in the amount of approximately HK\$42.4 million allocated to this business segment after the revised allocation will be used for supporting the expansion of the Group's building services segment including payment of tender preparation cost, start up costs for new projects, such as provision of performance bonds and payment of materials costs and subcontracting fees.

Lifts and Escalators

The Directors have decided to reallocate the Unutilised Net Proceeds to better reflect the change in business strategy after review of the business opportunities in the lifts and escalators markets which the Group operates. The total Unutilised Net Proceeds allocated under this business segment remains unchanged at approximately HK\$67.1 million but will be deployed entirely for expanding existing manufacturing facilities, including the modernisation and purchase of additional equipment for the existing manufacturing facilities to align more effectively with future demands of our lifts and escalators products.

Since 2020, the corporate and commercial environment has changed significantly due to (i) the pandemic outbreak and the corresponding lockdown measures that have been strictly enforced in many countries and (ii) the fast-changing China-U.S. relationship. The uncertain economic and market conditions make the identification, negotiation and completion of some of the Group's corporate transactions and investments more challenging. The expected timeline for utilizing the Unutilised Net Proceeds as set out in this announcement is a more realistic timeline under the current circumstances. The updates on the use of the Unutilised Net Proceeds will be disclosed in the Company's upcoming annual reports and interim reports.

The Directors consider that the development direction of the Company is still in line with the disclosures in the Prospectus in spite of the change in use of the Unutilised Net Proceeds as stated above. As at the date of this announcement, the Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Directors consider that the change is in the best interest of the Company and Shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

The Directors will continuously assess the plans for the use of Unutilised Net Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance for the Group.

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

Hong Kong, 27 November 2020

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.