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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE ACQUISITION OF PROPERTY**

THE ACQUISITION

On 20 October 2021 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares and the Sale Loan at an Initial Consideration of HK\$585,000,000 (subject to adjustments). The principal asset of the Target Group is the Property.

As at the date of this announcement, the Target Company is wholly owned by the Vendor. Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Enlarged Group.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition is more than 5% but all of the percentage ratios are less than 25%, the Acquisition constitutes a discloseable acquisition of the Company and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 20 October 2021 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares and the Sale Loan at an Initial Consideration of HK\$585,000,000 (subject to adjustments).

Principal terms of the Agreement are set out below.

THE AGREEMENT

Date: 20 October 2021

Parties: (i) the Purchaser; and
(ii) the Vendor

The Vendor is 100% owned by Emperor International Holdings Limited, which is a company whose shares are listed on the Stock Exchange (Stock Code: 163). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Assets to be acquired

The assets to be acquired under the Agreement are the Sale Shares and the Sale Loan.

The Sale Shares represent the entire issued share capital of the Target Company as at the date of the Agreement and at Completion.

The Sale Loan to be acquired by the Purchaser represent all loans and other amounts (whether principal, interest or otherwise) owing by the Target Company to the Vendor as at Completion. As at 31 August 2021, the loan and other amounts owing by the Target Company to the Vendor was approximately HK\$304,600,000.

The principal asset of the Target Group is the Property, details of which are set out in the paragraph headed "Information on the Target Group" below.

Initial Consideration and payment terms

The "Initial Consideration" shall be an amount computed in accordance with the following:

- (i) an amount equal to HK\$585,000,000;
- (ii) plus the amount of the Net Asset Value as set out in the Pro Forma Completion Accounts (if it is a positive amount) or minus the absolute value of the amount of the Net Asset Value as set out in the Pro Forma Completion Accounts (if it is a negative amount).

Subject to adjustment, the Initial Consideration shall be paid by the Purchaser to the Vendor as follows:

- (i) an earnest money in the sum of HK\$29,250,000 (which is equivalent to 5% of HK\$585,000,000) (the “**Earnest Money**”) has been paid to the Purchaser’s solicitors as stakeholder on 8 October 2021, which will be released to the Vendor’s solicitors as escrow agent upon the signing of the Agreement;
- (ii) a further deposit in the sum of HK\$29,250,000 (the “**Further Deposit**”, together with the Earnest Money, the “**Deposits**”) shall be paid to the Vendor’s solicitors as escrow agent upon the signing of the Agreement;
- (iii) an amount equal to the balance of the Initial Consideration after deducting the Deposits (“**Completion Payment**”) shall be paid by the Purchaser at Completion in the following manner:
 - (a) a sum equal to the aggregate of (i) the total amount required to be paid to the Existing Lender or otherwise for the purpose of securing the release/discharge of all the existing facility agreement, existing corporate guarantee and the Existing Security Documents in relation to the Existing Bank Loan, and (ii) the total amounts owing and/or payable under and/or in respect of the Existing Bank Loan as at the date of Completion, shall be paid directly to the Existing Lender; and
 - (b) the remainder of the Completion Payment shall be paid to the Vendor’s designated entity.

Adjustment to the Initial Consideration

Based on the Completion Accounts, the Initial Consideration shall be further adjusted in the following manner:

- (i) by adding to the Initial Consideration the amount (if any) by which the Net Asset Value (determined by reference to the Completion Accounts) is more than the Net Asset Value (as set out in the Pro Forma Completion Accounts); and
- (ii) by deducting from the Initial Consideration the amount (if any) by which the Net Asset Value (determined by reference to the Completion Accounts) is less than the Net Asset Value (as set out in the Pro Forma Completion Accounts).

Within 5 Business Days after agreement or determination (as the case may be) of the Completion Accounts:

- (i) if the Initial Consideration (as adjusted) is increased, the Purchaser shall pay to the Vendor the amount of the increase; and
- (ii) if the Initial Consideration (as adjusted) is reduced, the Vendor shall repay to the Purchaser the amount of such reduction.

Pursuant to the Agreement, it is agreed that the Net Asset Value shall not in any event exceed HK\$1,500,000 if it is a positive figure.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser primarily with reference to the market price of comparable properties. The Consideration will be financed by the internal resources and bank borrowings of the Group.

Conditions precedent

Completion of the Agreement is conditional upon fulfilment or waiver (as the case may be) of the following Conditions:

- (i) the Vendor being the sole legal and beneficial owner of the Sale Shares and the Sale Loan free from all encumbrances and having the capacity and power to sell the Sale Shares and assign the Sale Loan to the Purchaser free from all encumbrances;
- (ii) the Target Company being the sole legal and beneficial owner of all the issued shares of, and all shareholder's loan owing by, the Target Subsidiary free from all encumbrances;
- (iii) the Target Subsidiary being the sole registered and beneficial owner of the Property free from all encumbrances, and the Target Subsidiary having been able to prove and give good title to the Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);
- (iv) the Property being free from any mortgages/legal charges and other encumbrances save and except for encumbrances created under all the Existing Security Documents (all of which shall be absolutely released and discharged on Completion);
- (v) (i) there being no breach of any fundamental Warranties; and (ii) all other Warranties remaining true, accurate and not misleading in all material respects before and on the date of Completion;
- (vi) there being no letter, notice or order from the government authority relating to an actual or proposed resumption or compulsory acquisition of the Property and no material damage to the Property or any part(s) thereof prior to and at all times up to Completion; and
- (vii) save and except for those parts of the Property which are subject to existing tenancies, vacant possession of the remaining untenanted parts of the Property being delivered to the Purchaser on an "as-is" "where-is" basis subject to the chattels.

The Purchaser may, to such extent as it thinks fit and is legally entitled to do so, at any time waive in writing any of the Conditions on such terms as it may decide.

If the Conditions are not fulfilled on or before the Completion Date, then unless the Vendor and the Purchaser otherwise agree in writing, the Purchaser may on that date, at its option, by notice in writing to the Vendor:

- (i) postpone the Completion Date to a date (being a Business Day) falling not more than 10 Business Days after the original Completion Date; or
- (ii) terminate the Agreement.

Termination

If the Agreement is terminated by either parties in accordance with the terms and conditions of the Agreement, all rights and obligations of the Vendor and the Purchaser will cease immediately upon termination without prejudice to the then accrued rights and obligations of any party, save and except:

- (i) the termination of the Agreement is without prejudice to all rights and remedies available to a party in respect of any breach by the other party of obligations under or in respect of the Agreement prior to termination of the Agreement;
- (ii) if the termination is due to non-compliance of the Purchaser pursuant to the Agreement, the Deposits shall be forfeited to and retained by the Vendor as damages; and
- (iii) if the termination is due to non-compliance of the Vendor pursuant to the Agreement, or due to any Conditions not being satisfied, the Deposits shall be returned in full to the Purchaser.

Termination of the Agreement in the (ii) and (iii) above shall not affect or prejudice the then accrued rights and remedies of the Vendor or the Purchaser (including the right to damages for the breach, if any, giving rise to the termination and any other pre-termination breach by any party).

Completion

Completion is expected to take place on or before 20 December 2021. Neither the Vendor nor the Purchaser shall be obliged to complete the sale and purchase of any of the Sale Shares or the assignment of any of the Sale Loan unless the sale and purchase of all of the Sale Shares and the assignment of all of the Sale Loan are completed simultaneously.

INFORMATION ON THE TARGET GROUP

As at the date of this announcement, the Target Company is the sole legal and beneficial owner of all the issued shares of, and all shareholder's loan owing by, the Target Subsidiary, which in turn is the sole registered and beneficial owner of the Property.

The principal asset of the Target Group is the Property. The Property, known as Topy Tower, is a 12-storey industrial building with a total gross floor area of approximately 124,555 sq. ft. located at Nos. 45-51 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong. As at the date of this announcement, the Property is subject to four existing tenancy agreements with a leasing period ranging from one to three years.

Set out below is the unaudited consolidated financial information of the Target Group for the financial years ended 31 March 2020 and 2021 as prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 March	
	2020	2021
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit/(loss) before taxation	(11,471)	8,473
Profit/(loss) after taxation	<u>(11,471)</u>	<u>8,473</u>

The unaudited consolidated net asset value of the Target Group as at 31 August 2021 was approximately HK\$163.9 million.

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Enlarged Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Currently, the Group has been leasing multiple properties in various locations for its business operations. The Acquisition will provide a consolidated location for the majority of the Group's staff to improve its organisational efficiency, reduce disruption of the Group's business caused by relocations of leased premises on the expiry of leases, and overall the Group will see a return on the Acquisition.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP

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 Purchaser is a company incorporated in the British Virgin Islands with limited liability. It is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding.

INFORMATION OF THE VENDOR

The Vendor is 100% owned by Emperor International Holdings Limited, which is a company whose shares are listed on the Stock Exchange (Stock Code: 163). The Vendor is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition is more than 5% but all of the percentage ratios are less than 25%, the Acquisition constitutes a discloseable acquisition of the Company and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 20 October 2021 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Board”	the board of the Directors
“Business Day”	a day other than a Saturday, Sunday on which banks generally are open in Hong Kong for the transaction of general banking business
“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 Acquisition
“Completion Accounts”	the consolidated statement of financial position of the Target Group as at close of business on the Completion Date, which will be delivered to the Purchaser no later than 20 Business Days after (and exclusive of) the Completion Date
“Completion Date”	20 December 2021, or such other date as the Vendor and the Purchaser may agree in writing on which Completion takes place
“Conditions”	the condition(s) precedent to Completion as set out in the section headed “Conditions precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	an amount equals to the Initial Consideration as adjusted in accordance with the terms of the Agreement
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group upon Completion
“Existing Bank Loan”	the outstanding amount of the principal sum, any interest accrued thereon and any fees, break costs and expenses under the term loan facility granted to the Target Subsidiary as borrower by the Existing Lender

“Existing Lender”	the lender of the Existing Bank Loan
“Existing Security Documents”	all the security documents under which the securities were provided as security for the Existing Bank Loan
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Consideration”	has the meaning ascribed to it in the section headed “Initial Consideration and payment terms” of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Asset Value”	the total current assets of the Target Group on a consolidated basis (other than the value of the Property, any plant and equipment, financial derivative assets (if any), any rental arrears and any rental incentives) minus the value of the consolidated liabilities of the Target Group (other than the liability in respect of the Existing Bank Loan, the Sale Loan and any deferred tax liability) as at Completion as shown in the Pro Forma Completion Accounts or the Completion Accounts (as the case may be), provided that the Vendor and the Purchaser agree that, if the Net Asset Value is a positive figure, it shall not in any event exceed HK\$1,500,000
“Pro Forma Completion Accounts”	the pro-forma consolidated statement of financial position of the Target Group as at close of business on the Completion Date, which will be delivered to the Purchaser on or before 7 Business Days before (but excluding) the Completion Date
“Property”	Topsy Tower located at Nos. 45-51 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong
“Purchaser”	Future Chance Developments Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company
“Sale Loan”	all loans and other amounts (whether principal, interest or otherwise) owing by the Target Company to the Vendor as at Completion
“Sale Shares”	all the issued shares in the Target Company, being 100 issued shares of the Target 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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Black Tie Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	collectively, the Target Company and the Target Subsidiary
“Target Subsidiary”	Fame Smart Investment Limited (榮俊投資有限公司), a company incorporated in Hong Kong and is owned as to 100% by the Target Company
“Vendor”	Emperor Property Investment Limited (英皇物業投資有限公司), a company incorporated in the British Virgin Islands with limited liability and is owned as to 100% by Emperor International Holdings Limited, a company whose shares are listed on the Stock Exchange (Stock Code: 163)
“Warranties”	the representations, warranties, indemnities and undertakings of the Vendor as set out in the Agreement
“%”	per cent.

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

Hong Kong, 20 October 2021

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.