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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Website: <http://www.alco.com.hk>

(Stock Code: 328)

MAJOR TRANSACTION

DISPOSAL OF PROPERTY

On 29th December 2015 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Provisional SP Agreement with the Purchaser for the disposal of the Property at a consideration of HK\$537,000,000. Pursuant to the terms of the Provisional SP Agreement, the Vendor and the Purchaser will enter into a formal sale and purchase agreement for the Disposal on or before 13th January 2016.

As the applicable percentage ratio under the Listing Rules is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, as no Shareholder has a material interest in the Disposal, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal.

The Company intends to obtain written approvals for the Disposal from Shunde Investments Limited, Mr LEUNG Kai Ching, Kimen and Mr LEUNG Wai Sing, Wilson, who are holding 225,911,400 Shares, 20,152,000 Shares and 46,320,000 Shares respectively and who are a closely allied group of Shareholders holding an aggregate of approximately 50.47% of the issued share capital of the Company as at the date of this announcement, in lieu of holding a general meeting to approve the Disposal pursuant to rule 14.44 of the Listing Rules.

Mr LEUNG Kai Ching, Kimen and Mr LEUNG Wai Sing, Wilson are the chairman and the chief executive officer of the Company, respectively, and both are executive Directors of the Company. Shunde Investments Limited is a company beneficially wholly owned by Mr LEUNG Kai Ching, Kimen, while Mr LEUNG Wai Sing, Wilson is the son of Mr LEUNG Kai Ching, Kimen.

A circular containing, among others, further details of the Provisional SP Agreement, financial information of the Group and the valuation report on the Property will be dispatched to the Shareholders. As the Company requires more time to prepare and finalise certain information in the circular, the dispatch date of the circular is expected on or before 28th January 2016.

The Disposal may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

THE PROVISIONAL SP AGREEMENT

On 29th December 2015, the Vendor entered into the Provisional SP Agreement with the Purchaser for the disposal of the Property.

SUMMARY OF TERMS OF THE PROVISIONAL SP AGREEMENT

Date: 29th December 2015

Vendor: Alco Electronics Limited, a wholly-owned subsidiary of the Company.

Purchaser: Lead Harvest Group Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Property: 5th Floor, 9th Floor and 11th Floor of the Building.

Consideration and payment: Pursuant to the terms of the Provisional SP Agreement, the Vendor will sell the Property to the Purchaser at a consideration of HK\$537,000,000. An initial deposit of HK\$16,110,000 in cash was received by the Vendor upon signing of the Provisional SP Agreement and a further deposit of HK\$37,590,000 in cash will be received by the Vendor upon signing of the formal sale and purchase agreement on or before 13th January 2016. The balance of the Consideration, being HK\$483,300,000, will be received by Vendor in cash upon Completion, which is scheduled to take place on or before 29th February 2016.

The Consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms after considering the recent property market conditions in Hong Kong.

Tenancies of the Property: 5th Floor and 9th Floor of the Building shall be sold to the Purchaser subject to the existing tenancy. While upon Completion, the Vendor and the Purchaser shall enter into a tenancy agreement, whereby the Vendor will lease back 11th Floor of the Building for its own use for a term of 3 years commencing on the actual date of the Completion at the rent set out as follows:-

1st and 2nd years: HK\$1 per annum (exclusive of rates, Government rent and management fees).

3rd year: at market rent subject to a maximum of HK\$250,000 per month (exclusive of rates, Government rent and management fees). The market rent to be agreed by both parties but if no agreement is reached by the end of the 22nd month of the tenancy term the same shall be determined by an independent surveyor to be nominated by the parties or the Hong Kong Institute of Surveyors in case no agreement is reached between the parties about the nomination of surveyor.

Specific performance: Nothing in the Provisional SP Agreement shall be so construed as to prevent either the Vendor or the Purchaser from bringing an action and obtaining a decree for specific performance of the contract and/or for other remedies.

Orders and building works: The Purchaser agreed and acknowledged that the sale and purchase of the Property shall be subject to the existing building order on 5th Floor of the Building and the building works on the Property.

CONDITIONS PRECEDENT

Completion of the Disposal is conditional upon, among others, the approval of the Disposal by the Shareholders at the special general meeting to be convened or the obtaining of written approval in lieu of the abovementioned special general meeting in accordance with the requirements of the Listing Rules. If the approval in relation to the Disposal by the Shareholders cannot be obtained on or before 13th January 2016, the Provisional SP Agreement will be automatically terminated.

INFORMATION ON THE PROPERTY

The Property comprises 5th Floor, 9th Floor and 11th Floor of Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong. The total saleable area of the Property is approximately 45,633 square feet.

5th Floor and 9th Floor of the Building are investment properties of the Company. Rental incomes attributable to these two floors for the two financial years ended 31st March 2014 and 31st March 2015 were HK\$4,839,000 and HK\$5,086,000 respectively. After accounting for the related management fee and government rates paid by the Vendor, net profit before and after taxation for 5th Floor and 9th Floor of the Building for the two financial years ended 31st March 2014 and 31st March 2015 are as follows:

	For the year ended 31st March	
	2015	2014
	HK\$	HK\$
Net profit before taxation	4,300,087	4,102,529
Net profit after taxation	3,590,573	3,425,612

11th Floor of the Building is currently used by the Company as its head office and principal place of business.

INFORMATION ON THE VENDOR AND THE COMPANY

The Vendor is a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company. The Vendor is principally engaged in designing, manufacturing and selling of consumer electronics products.

The Company is a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange. The principal business of the Group involves designing, manufacturing and selling of consumer electronic products.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are Independent Third Parties and the Purchaser is an investment company.

FINANCIAL EFFECTS OF THE DISPOSAL

The net book value of the Property as at the date of the latest audited financial statement, i.e. 31st March 2015, amounted to HK\$260,282,000. Based on the Consideration of HK\$537,000,000, the Company is expected to recognize a gain (net of related legal costs, commission and expenses) of approximately HK\$273,933,000 from the Disposal.

PROPOSED USE OF PROCEEDS

Based on the Consideration of HK\$537,000,000 and the associated estimated direct cost of the Disposal of HK\$2,785,000, the Company is expected to receive a net proceeds of HK\$534,215,000 from the Disposal.

The Company intends to use the net proceeds as general working capital and for future investment of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Having taken into account the current property market conditions, the Directors consider that the Disposal gives a good opportunity for the Company to realize its investment with considerable gain. After the Disposal, the Group will have additional working capital for future expansion.

The Board is of the view that the terms in the Provisional SP Agreement including the Consideration are in normal commercial terms, which are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratio under the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is subject to reporting, announcement and approval by Shareholders under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, as no Shareholder has a material interest in the Disposal, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal.

The Company intends to obtain written approvals for the Disposal from Shunde Investments Limited, Mr LEUNG Kai Ching, Kimen and Mr LEUNG Wai Sing, Wilson, who are holding 225,911,400 Shares, 20,152,000 Shares and 46,320,000 Shares respectively and who are a closely allied group of Shareholders holding an aggregate of approximately 50.47% of the issued share capital of the Company as at the date of this announcement, in lieu of holding a general meeting to approve the Disposal pursuant to rule 14.44 of the Listing Rules.

Mr LEUNG Kai Ching, Kimen and Mr LEUNG Wai Sing, Wilson are the chairman and the chief executive officer of the Company, respectively, and both are executive Directors of the Company. Shunde Investments Limited is a company beneficially wholly owned by Mr LEUNG Kai Ching, Kimen, while Mr LEUNG Wai Sing, Wilson is the son of Mr LEUNG Kai Ching, Kimen.

GENERAL

A circular containing, among others, further details of the Provisional SP Agreement, financial information of the Group and the valuation report on the Property will be dispatched to the Shareholders. As the Company requires more time to prepare and finalise certain information in the circular, the dispatch date of the circular is expected on or before 28th January 2016.

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DEFINITIONS

In this announcement, the following terms have the same meanings as set out below:

“Board”	the Board of Directors;
“Building”	Zung Fu Industrial Building, 1067 King’s Road, Quarry Bay, Hong Kong;
“Company”	Alco Holdings Limited, a company incorporated in Bermuda and the Shares of which are listed on the main board of the Stock Exchange;
“Completion”	completion of the Disposal;
“Consideration”	HK\$537,000,000;
“Directors”	the directors of the Company;
“Disposal”	disposal of the Property by the Vendor pursuant to the terms of the Provisional SP Agreement;
“Group”	the Company and its subsidiaries;
“Independent Third Party(ies)”	party(ies) who are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Property”	5th Floor, 9th Floor and 11th Floor of the Building;

“Provisional SP Agreement”	the provisional sale and purchase agreement entered into between Vendor and Purchaser on 29th December 2015 for the Disposal;
“Purchaser”	Lead Harvest Group Limited. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Purchaser is an Independent Third Party;
“Share(s)”	share(s) of par value of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Vendor”	Alco Electronics Limited, a wholly-owned subsidiary of the Company.

By order of the Board
LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 29th December 2015

As at the date of this announcement, the executive directors of the Company are Mr. LEUNG Kai Ching, Kimen, Mr. LEUNG Wai Sing, Wilson, Mr. KUOK Kun Man, Andrew, Mr. LEUNG, Jimmy and Mr. LIU Lup Man. The independent non-executive directors are Mr. LI Wah Ming, Fred, Mr. LAU Wang Yip, Derrick and Mr. LEE Tak Chi.