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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 328)

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) SHARES HELD ON THE RECORD DATE

Financial Advisor to the Company



PROPOSED RIGHTS ISSUE

The Company proposes to raise up to approximately HK\$125.84 million before expenses by way of a rights issue of 144,648,930 Rights Shares at the Subscription Price of HK\$0.87 each and on the basis of one (1) Rights Share for every four (4) Shares held by the Qualifying Shareholders on the Record Date. The Rights Issue will not be extended to the Excluded Shareholder(s) (if any).

The estimated net proceeds of the Rights Issue, if fully subscribed, will be up to approximately HK\$124.04 million.

The Company currently intends to use the net proceeds from the Rights Issue for the following purposes: (i) as to about 40% of the net proceeds for development of the Group's Notebook PCs and related products; (ii) as to about 30% of the net proceeds for sales and marketing of the Group's Notebook PCs and related products, including advertising and participation in exhibitions in Southeast Asia, India, the PRC and Taiwan; and (iii) as to about 30% of the net proceeds for use as the Group's general working capital. The use of net proceeds may be adjusted based upon the development of the Group's business and its needs. Details of the use of the net proceeds are set out in the section headed "Reasons for the Rights Issue and the use of proceeds" in this announcement.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that there is an under-subscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly. Subject to the Irrevocable Undertakings as more particularly described in the section headed “Irrevocable Undertakings and Nil-paid Rights Transfer Agreement” in this announcement, there is no minimum amount which must be raised in order for the Rights Issue to proceed.

IRREVOCABLE UNDERTAKINGS AND NIL-PAID RIGHTS TRANSFER AGREEMENT

As at the date of this announcement, Mr. Kimen Leung and Shundean Investments (a company wholly-owned by Mr. Kimen Leung) respectively hold 20,150,000 Shares and 225,911,400 Shares. Mr. Kimen Leung’s aggregate beneficial shareholding interest in the Company amounts to 246,061,400 Shares (representing approximately 42.53% of the issued share capital of the Company as at the date of this announcement).

Pursuant to the KL Irrevocable Undertakings, Mr. Kimen Leung has irrevocably and unconditionally undertaken to the Company, among other things: (i) to accept and take up all of his assured entitlements arising from his direct shareholding interest in the Company under the Rights Issue which shall amount to 5,037,500 Rights Shares (representing approximately 3.48% of the total Rights Shares proposed to be provisionally allotted by the Company); (ii) that he will not sell, transfer, or dispose of the 20,150,000 Shares of which he is the registered holder and beneficial owner or acquire additional Shares (other than taking up his aforesaid assured entitlements under the Rights Issue) from the date of the KL Irrevocable Undertaking up to the latest date on which the Rights Issue becomes unconditional; (iii) that he will not apply for any excess Rights Shares; and that (iv) he will procure Shundean Investments to perform its obligations under the Shundean Irrevocable Undertaking.

Pursuant to the Shundean Irrevocable Undertakings, Shundean Investments has irrevocably and unconditionally undertaken to the Company, among other things: (i) to accept and take up part of its assured entitlements under the Rights Issue being 41,901,100 Rights Shares (representing approximately 28.97% of the total Rights Shares proposed to be provisionally allotted by the Company); (ii) that it will not sell, transfer, or dispose of the 225,911,400 Shares of which it is the registered holder or acquire additional Shares (other than taking up the aforesaid portion of its assured entitlements under the Rights Issue) from the date of the Shundean Irrevocable Undertaking up to the latest date on which the Rights Issue becomes unconditional; and (iii) that on and subject to the terms of the Nil-paid Rights Transfer Agreement, it will transfer the nil-paid rights of all and not part only of the Remaining Rights Shares, being an aggregate of 14,576,750 Rights Shares, to the Leung Family Members.

As at the date of this announcement, the Leung Family Members collectively hold an aggregate of 83,044,190 Shares (representing approximately 14.35% of the issued share capital of the Company as at the date of this announcement). Pursuant to the Leung Family Members Irrevocable Undertakings, the Leung Family Members have irrevocably and unconditionally undertaken to the Company, among other things: (i) to accept and take up all of their assured entitlements under the Rights Issue which shall amount to an aggregate of 20,761,048 Rights Shares (representing approximately 14.35% of the total Rights Shares proposed to be provisionally allotted by the Company); (ii) that each of them will not sell, transfer, or dispose of the Shares held by them as of the date of this announcement or acquire additional Shares (other than taking up its assured entitlements under the Rights Issue and the relevant nil-paid rights pursuant to the terms of the Nil-paid Rights Transfer Agreement, and their potential application for excess Rights Shares) from the date of the Shundeans Irrevocable Undertakings up to the latest date on which the Rights Issue becomes unconditional; and (iii) that on and subject to the terms of the Nil-paid Rights Transfer Agreement, they will collectively take up all of the nil-paid rights in respect of the Remaining Rights Shares to be transferred to them by Shundeans Investments and subscribe for the corresponding Rights Shares.

In addition to the Rights Shares the Leung Family Members have undertaken to subscribe to as set out above, they may also apply for excess Rights Shares.

QUALIFYING SHAREHOLDERS

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder as at the close of business on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 17 January 2019.

The last day of dealing in the Shares on a cum-rights basis is Tuesday, 15 January, 2019. The Shares will be dealt with on an ex-rights basis from Wednesday, 16 January 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 January 2019 to Thursday, 24 January 2019 (both dates inclusive) for the purpose of determining the Shareholders' entitlements to the Rights Issue. During this period, no transfer of Shares will be registered.

LISTING RULES IMPLICATIONS

The Rights Issue is not subject to Shareholders' approval under the Listing Rules and will be carried out in compliance with Rule 7.21(1) of the Listing Rules.

GENERAL

The Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on Friday, 25 January 2019. The Prospectus and the Overseas Letter will be despatched to the Excluded Shareholders (if any) for their information only.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is subject to the fulfilment and/or waiver (where applicable) of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied and/or waived (where applicable), the Rights Issue will not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled and/or waived (where applicable), and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

PROPOSED RIGHTS ISSUE

The Company proposes to raise up to approximately HK\$125.84 million before expenses by way of a rights issue of 144,648,930 Rights Shares at the Subscription Price of HK\$0.87 each and on the basis of one (1) Rights Share for every four (4) Shares held by the Qualifying Shareholders on the Record Date. The Rights Issue will not be extended to the Excluded Shareholder(s). The terms of the Rights Issue are set out below:–

Issue statistics

Basis of Rights Issue	One (1) Rights Share for every four (4) Shares held on the Record Date
Subscription Price	HK\$0.87 per Rights Share
Number of Shares in issue as at the date of this announcement	578,595,720 Shares
Number of Rights Shares to be issued under the Rights Issue	Up to 144,648,930 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	Up to HK\$14,464,893
Enlarged issue share capital upon completion of the Rights Issue	Up to 723,244,650 Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Number of Rights Shares undertaken to be taken up	Mr. Kimen Leung, Shundean Investments and the Leung Family Members have undertaken to take up an aggregate of 82,276,398 Rights Shares (representing approximately 56.88% of the total Rights Shares proposed to be provisionally allotted by the Company)
Funds raised before expenses (assuming all the Rights Shares will be taken up)	Up to approximately HK\$125.84 million

Assuming no change in the number of issued Shares on or before the Record Date, the 144,648,930 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent: (i) 25% of the existing issued share capital of the Company as at the date of this announcement; and (ii) 20% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

As at the date of this announcement, the Company has no outstanding derivatives, options, warrants, conversion securities or other similar securities which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Subscription Price

The Subscription Price of HK\$0.87 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 13.86% to the closing price of HK\$1.01 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 12.30% to the average of the closing prices of Shares for the five consecutive trading days ended on the Last Trading Day of approximately HK\$0.99 per Share;
- (iii) a discount of approximately 13.09% to the average of the closing prices of Shares for the ten consecutive trading days ended on the Last Trading Day of approximately HK\$1.00 per Share;
- (iv) a discount of approximately 11.41% to the theoretical ex-rights price of approximately HK\$0.98 per Share based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of approximately 68.25% to the unaudited consolidated net asset value per Share of approximately HK\$2.74 (based on the latest published consolidated net asset value of the Group of HK\$1,585,783,000 as at 30 September 2018 as disclosed in the interim report of the Company for the six months ended 30 September 2018 and 578,595,720 Shares in issue as at the date of this announcement).

The Subscription Price was determined with reference to, among other things, the recent market prices of the Shares, the current market conditions, and the amount of funds the Company intends to raise under the Rights Issue.

The Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share for every four (4) Shares held by a Qualifying Shareholder as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before 4:00 p.m on the Final Acceptance Date.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 17 January 2019.

The last day of dealings in the Shares on a cum-rights basis is Tuesday, 15 January 2019. The Shares will be dealt with on an ex-rights basis from Wednesday, 16 January 2019.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

Excluded Shareholder(s) (if any)

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholder(s) from the Rights Issue, no Rights Shares (whether in nil-paid or fully-paid form) will be offered to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Excluded Shareholder(s). The basis for excluding the Excluded Shareholders(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus and the Overseas Letter to the Excluded Shareholders for their information only.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in their nil-paid form, to be sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of not less than HK\$100 will be paid pro-rata (rounded down to the nearest cent) to the relevant Excluded Shareholder(s) in Hong Kong dollars. The Company will retain individual amount of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares in issue at the time. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the Rights Shares.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated and sold by the Company in the open market if a premium (net of expenses) can be obtained. Any unsold fractions of the Rights Shares will be made available for excess application by the Qualifying Shareholders. No odd-lot matching services will be provided.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for, by way of excess application:

- (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any);
- (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares; and
- (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares.

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application;

- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and
- (iv) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any Controlling Shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Right Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Investors whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Investors should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually. Investors whose Shares are held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. For those investors who would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. on Thursday, 17 January 2019.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

The board lot size of the nil-paid Rights Shares shall be the same as that of the fully-paid Rights Shares, i.e. 2,000 Shares in one board lot.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for Rights Issues

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Thursday, 21 February 2019.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 21 February 2019 by ordinary post to the applicants' registered address, at their own risk.

The Rights Issue on a non-underwritten basis

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that there is an under-subscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

Subject to the Rights Shares expected to be taken up by Mr. Kimen Leung, Shundean Investments and the Leung Family Members pursuant to the Irrevocable Undertakings, there is no minimum amount to be raised under the Rights Issue in order for the Rights Issue to proceed.

The legal advisers of the Company have confirmed that there are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue under Bermuda or Hong Kong laws.

Besides, a Shareholder who applies to take up all or part of its entitlement under PAL or apply for excess Rights Shares under EAF may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained.

Accordingly, the Rights Issue will be made on the term that the Company will, pursuant to Rule 7.19(5) of the Listing Rules, provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder for its entitlement under the PAL or for excess Rights Shares under the EAF can be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code.

Conditions of the Rights Issue

The Rights Issue is conditional upon the fulfilment, non-occurrence or waiver (as appropriate) of each of the following conditions:

- (a) the meeting(s) of the Board properly and validly convened to approve and implement the Rights Issue;
- (b) the Stock Exchange having authorised the registration of, and the Companies Registry in Hong Kong having registered, respectively, not later than one Business Day prior to the Posting Date, each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto or otherwise filed or delivered) and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholder(s), if any, and for information purposes only, on or before the Posting Date;
- (d) the Listing Committee granting and not having revoked, listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and such listings and permission to deal not having been withdrawn or revoked;

- (e) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms, respectively) and no notification having been received by the Company from the HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused; and
- (f) compliance with and performance of all undertakings and obligations of Mr. Kimen Leung, Shunde Investments, and the Leung Family Members under the Irrevocable Undertakings and the Nil-paid Rights Transfer Agreement in all material respects.
- (g) there shall not have occurred and be continuing any of the following:
 - (i) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Company in any material respect affect the success of the Rights Issue (such success being the taking up of the Rights Shares by the Shareholders or the transferees of the nil-paid rights) or otherwise in the absolute opinion of the Company makes it inexpedient or inadvisable or inappropriate for the Company to proceed with the Rights Issue; or
 - (ii) any event of force majeure including, without limiting the generality thereof, any act of God, war, fire, flood, explosion, epidemic, terrorism, which in any material respect adversely affect the business or the financial or trading position or prospects of the Company or the Rights Issue; or
 - (iii) any other material adverse change in relation to the business or the financial or trading position or prospects of the Company occurs, whether or not of the same kind with any of the foregoing; or
 - (iv) any suspension in the trading of the securities generally or the Company's securities on the Stock Exchange for a period of more than 30 consecutive trading days occurs, excluding any halt or suspension in connection with the clearance of the announce or circular or prospectus of the Company for the Rights Issue or other announcements or circulars in connection with the Rights Issue.

Save for condition (f) and (g) which can be waived (conditionally or unconditionally) by the Company, none of the above conditions can be waived. If any of the conditions referred to above are not fulfilled, or occurs and/or not waived (where applicable) at or before 4:30 p.m. on Thursday, 14 February 2019, the Rights Issue will not proceed.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

IRREVOCABLE UNDERTAKINGS AND NIL-PAID RIGHTS TRANSFER AGREEMENT

As at the date of this announcement, Mr. Kimen Leung and Shundean Investments (a company wholly-owned by Mr. Kimen Leung) respectively hold 20,150,000 Shares and 225,911,400 Shares. Mr. Kimen Leung's aggregate beneficial shareholding interest in the Company amounts to 246,061,400 Shares (representing approximately 42.53% of the issued share capital of the Company as at the date of this announcement).

Pursuant to the KL Irrevocable Undertaking, Mr. Kimen Leung has irrevocably and unconditionally undertaken to the Company, among other things: (i) to accept and take up all of his assured entitlements arising from his direct shareholding interest in the Company under the Rights Issue which shall amount to 5,037,500 Rights Shares (representing approximately 3.48% of the total Rights Shares proposed to be provisionally allotted by the Company); (ii) that he will not sell, transfer, or dispose of the 20,150,000 Shares of which he is the registered holder and beneficial owner or acquire additional Shares (other than taking up his aforesaid assured entitlements under the Rights Issue) from the date of the KL Irrevocable Undertaking up to the latest date on which the Rights Issue becomes unconditional; (iii) that he will not apply for any excess Rights Shares; and that (iv) he will procure Shundean Investments to perform its obligations under the Shundean Irrevocable Undertaking.

Pursuant to the Shundean Irrevocable Undertakings, Shundean Investments has irrevocably and unconditionally undertaken to the Company, among other things: (i) to accept and take up part of its assured entitlements under the Rights Issue being 41,901,100 Rights Shares (representing approximately 28.97% of the total Rights Shares proposed to be provisionally allotted by the Company); (ii) that he will not sell, transfer, or dispose of the 225,911,400 Shares of which it is the registered holder or acquire additional Shares (other than taking up the aforesaid portion of its assured entitlements under the Rights Issue) from the date of the Shundean Irrevocable Undertaking up to the latest date on which the Rights Issue becomes unconditional; and (iii) that on and subject to the terms of the Nil-paid Rights Transfer Agreement, it will transfer the nil-paid rights of all and not part only of the Remaining Rights Shares, being an aggregate of 14,576,750 Rights Shares, to the Leung Family Members.

As at the date of this announcement, the Leung Family Members collectively hold an aggregate of 83,044,190 Shares (representing approximately 14.35% of the issued share capital of the Company as at the date of this announcement). Pursuant to the Leung Family Members Irrevocable Undertakings, the Leung Family Members have irrevocably and unconditionally undertaken to the Company, among other things: (i) to accept and take up an aggregate of 20,761,048 Rights Shares (representing approximately 14.35% of the total Rights Shares proposed to be provisionally allotted by the Company) under the Rights Issue; (ii) that each of them will not sell, transfer, or dispose of the Shares held by them as of the date of this announcement or acquire additional Shares (other than taking up its assured entitlements under the Rights Issue and the relevant nil-paid rights pursuant to the terms of the Nil-paid Rights Transfer Agreement, and their potential application for excess Rights Shares) from the date of the Shundean Irrevocable Undertakings up to the latest date on which the Rights Issue becomes unconditional; and (iii) that on and subject to the terms of the Nil-paid Rights Transfer Agreement, they will collectively take up all of the nil-paid rights in respect of the Remaining Rights Shares to be transferred to them by Shundean Investments and subscribe for the corresponding Rights Shares.

In addition to the Rights Shares the Leung Family Members have undertaken to subscribe to as set out above, they may also apply for excess Rights Shares.

Set out below are the number of Shares held by Mr. Kimen Leung, Shunde Investments, and each of the Leung Family Members as at the date of this announcement and the respective number of Rights Shares they have irrevocably and unconditionally undertaken to accept and subscribe to pursuant to their respective Irrevocable Undertakings:

Shareholder(s)	Number of Shares held as at the date of this announcement	Number of Rights Shares to be taken up under PAL	Number of Rights Shares to be taken up under Nil-paid Rights Transfer Agreement	Total number of Rights Shares to be taken up
Mr. Kimen Leung and Shunde Investments (<i>Note 1</i>)	246,061,400	46,938,600	N/A	46,938,600
Mr. Leung Wai Sing, Wilson (<i>Note 2</i>)	47,072,000	11,768,000	8,262,550	20,030,550
Mr. Leung Wai Lap, David (<i>Note 3</i>)	34,828,190	8,707,048	6,113,394	14,820,442
Ms. Alice Nga Sze Chung (<i>Note 4</i>)	1,144,000	286,000	200,806	486,806
Total:	329,105,590	67,699,648	14,576,750	82,276,398

Notes:

1. Mr. Kimen Leung, the founder of the Group, is the beneficial owner of 20,150,000 Shares (3.48% of the issued Shares as at the date of this announcement). In addition, he also indirectly holds another 225,911,400 Shares (39.04% of issued Shares as at the date of this announcement) through Shunde Investments, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by him.
2. Mr. Leung Wai Sing, Wilson is Mr. Kimen Leung's son and is currently the Chairman of the board of the Company and the Chief Executive Officer of the Group.
3. Mr. Leung Wai Lap, David is Mr. Kimen Leung's son.
4. Ms. Alice Nga Sze Chung is the spouse of Mr. Leung, Jimmy who is Mr. Kimen Leung's son and an executive Director.

Save for the Irrevocable Undertakings, the Company has not received any information or irrevocable undertaking from any substantial shareholders (as defined in the Listing Rules) of the Company of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the date of this announcement.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is subject to the fulfilment and/or waiver (where applicable) of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied and/or waived (where applicable), the Rights Issue will not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled and/or waived (where applicable), and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 January 2019 to Thursday, 24 January 2019 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. During this period, no transfer of Shares will be registered.

EXPECTED TIMETABLE

The expected timetable in respect of the Rights Issue is set out below:

2019

Last day of dealing in the Shares on a cum-rights basis	Tuesday, 15 January 2019
First day of dealing in the Shares on an ex-rights basis.	Wednesday, 16 January 2019
Latest time for lodging transfers of Shares to be entitled for the Rights Issue	4:30 p.m. on Thursday, 17 January 2019
Book close period to determine the entitlements to the Rights Issue (both dates inclusive)	Friday, 18 January 2019 to Thursday, 24 January 2019
Record Date	Thursday, 24 January 2019
Register of members re-opens	Friday, 25 January 2019
Prospectus Documents to be posted	Friday, 25 January 2019
First day of dealing in nil-paid Rights Shares	Tuesday, 29 January 2019
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Thursday, 31 January 2019
Last day of dealing in nil-paid Rights Shares	Friday, 8 February 2019
Latest time of acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 13 February 2019
Latest time for the Rights Issue to become unconditional	4:30 p.m. on Thursday, 14 February 2019
Announcement of the results of the Rights Issue to be published	Wednesday, 20 February 2019
Refund cheques for wholly and partially unsuccessful excess applications to be posted	Thursday, 21 February 2019
Share certificates of fully-paid Rights Shares to be posted	Thursday, 21 February 2019
Dealings in fully-paid Rights Shares commence	Friday, 22 February 2019

All times and dates in this announcement refer to Hong Kong local times and dates.

Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 13 February 2019. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 13 February 2019. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on or before 4:00 p.m. on Wednesday, 13 February 2019, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders; and (iii) immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders other than Mr. Kimen Leung, Shunde Investments and the Leung Family Members who will take up the Rights Shares in accordance with the terms of the Irrevocable Undertakings and the Nil-paid Rights Transfer Agreement, assuming there is no other change in the shareholding structure of the Company since the date of this announcement:

Shareholders	At the date of this announcement		Immediately after completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than Mr. Kimen Leung, Shunde Investments and the Leung Family Members who will take up the Rights Shares in accordance with the Irrevocable Undertakings and the Nil-paid Rights Transfer Agreement)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Kimen Leung and Shunde Investments (Note 1)	246,061,400	42.53	307,576,750	42.53	293,000,000	44.34
Mr. Leung Wai Sing, Wilson	47,072,000	8.14	58,840,000	8.14	67,102,550	10.15
Mr. Leung Wai Lap, David	34,828,190	6.02	43,535,238	6.02	49,648,632	7.51
Ms. Alice Nga Sze Chung	1,144,000	0.20	1,430,000	0.20	1,630,806	0.25
Mr. Leung, Kai Chun (Note 2)	20,000,000	3.46	25,000,000	3.46	20,000,000	3.03
Sub-total	349,105,590	60.35	436,381,988	60.35	431,381,988	65.28
Mr. Webb, David Michael	58,085,400	10.04	72,606,750	10.04	58,085,400	8.79
Mr. Li Wah Ming (Note 3)	260,000	0.04	325,000	0.04	260,000	0.04
Public Shareholders	171,144,730	29.57	213,930,912	29.57	171,144,730	25.89
Total	578,595,720	100.00	723,244,650	100.00	660,872,118	100.00

Notes:

1. Shunde Investments is wholly-owned by Mr. Kimen Leung.
2. Mr. Leung, Kai Chun is Mr. Kimen Leung's brother.
3. Mr. Li Wah Ming is an independent non-executive Director.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is principally engaged in the design, manufacture and sales of consumer electronic products.

In light of the ongoing trade war between the United States and the PRC, high costs of critical components, rising costs of hiring high-skilled workers and advertising and promotion expenses on the Group's business, the Company is facing rather challenging times and has been actively considering options for strengthening its financial capabilities.

While the aforementioned developments are outside the control of the Group, the management has nonetheless continued to pursue and invest heavily in activities to stimulate the Group's long-term growth, in particular, the on-going promotion of the Group's Notebook PCs business to key markets in South East Asia. Progress has been made by Nexstgo Company Limited (the wholly-owned subsidiary of the Group responsible for its Notebook PC Business) in assisting its cooperative partner VAIO Corporation of Japan in distributing VAIO S11 and S13 B2B/Commercial Notebook PCs to markets including Hong Kong, Macau, Taiwan and Singapore. Furthermore, the Group is moving away from serving mainly discount retail channels and is planning towards higher value-added and upscale segments of the market and the current line-up of Consumer Notebook PCs and B2B/Commercial Notebook PCs are a reflection of this strategy, and it is the Group's aim to bolster their respective range of products going forward.

To enable the Group to maintain its goal for long-term growth, the Board is of the view that the Rights Issue is necessary to provide sufficient funds for the development of the Notebook PCs business and its sale and marketing activities, and to allow the Group to attract high-skilled workers, promote its own brands, and continue to introduce advanced technologies and the automation of its production plant which will help the Group maintain its competitive edge.

The expected gross proceeds, net proceeds and net price per Rights Share from the Rights Issue are set out below:

	Assuming full acceptance by the Qualifying Shareholders <i>HK\$ (approximately)</i>	Assuming nil acceptance by the Qualifying Shareholders other than Mr. Kimen Leung, Shundean Investments and the Leung Family Members who will take up the Rights Shares in accordance with the Irrevocable Undertakings and the Nil-paid Rights Transfer Agreement <i>HK\$ (approximately)</i>
Gross proceeds	125,844,569	71,580,466
Net proceeds	124,044,569	69,780,466
Net price per Rights Share	0.86	0.85

The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) as to about 70% of the net proceeds for developing the Notebook PCs business of the Group, which can be further broken down into:
 - (a) as to about 40% of the net proceeds for development of its Notebook PCs and related products; and
 - (b) as to about 30% of the net proceeds for sales and marketing of its Notebook PCs and related products, including advertising and participation in exhibitions in Southeast Asia, the PRC, Taiwan and India; and
- (ii) as to about 30% of the net proceeds for general working capital of the Group.

The use of net proceeds may be adjusted based upon the development of the Group's business and its needs.

The Board believes that the Rights Issue will also enable the Group to strengthen its capital base and to enhance its financial position, and allow the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the needs of the Group, and the proposed terms of the Rights Issue and the Subscription Price, the Board also considers it in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the 12 months immediately prior to the date of this announcement.

LISTING RULES IMPLICATIONS

The Rights Issue is not subject to Shareholders' approval under the Listing Rules and will be carried out in compliance with Rule 7.21(1) of the Listing Rules.

GENERAL

The Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on Friday, 25 January 2019 and the Prospectus with the Overseas Letter will be despatched to the Excluded Shareholder(s) (if any) for information only.

DEFINITIONS

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

“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which banks are open for general banking business in Hong Kong;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Company”	Alco Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 328);
“Companies Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
“Controlling Shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules;
“Director(s)”	director(s) of the Company;
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for Rights Shares in excess for their entitlements under the Rights Issue;
“Excluded Shareholder(s)”	Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places or the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue;
“Final Acceptance Date”	Wednesday, 13 February 2019, being the last day for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares or such other time or date as the Company may determine;
“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“KL Irrevocable Undertakings”	a deed of irrevocable undertakings entered into on 28 December 2018 by Mr. Kimen Leung in favour of the Company;
“Irrevocable Undertaking(s)”	the KL Irrevocable Undertaking, the Shundean Irrevocable Undertaking, and the Leung Family Members Irrevocable Undertaking;
“Last Trading Day”	Friday, 28 December 2018, being the last full trading day before the release of this announcement;
“Leung Family Members”	Mr. Leung Wai Sing, Wilson, a Director; Mr. Leung Wai Lap, David; and Ms. Alice Nga Sze Chung;
“Leung Family Members Irrevocable Undertakings”	deeds of irrevocable undertakings entered into on 28 December 2018 by the Leung Family Members in favour of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Kimen Leung”	Mr. Leung Kai Ching, Kimen, the Controlling Shareholder who holds 100% shareholding interest of Shundean Investments;
“Nil-paid Rights Transfer Agreement”	an agreement dated 28 December 2018 entered into among Mr. Kimen Leung, Shundean Investments and the Leung Family Members in relation to the intended transfer from Shundean Investments to the Leung Family Members of the Remaining Rights Shares provisionally allotted to Shundean Investments;
“Overseas Letter”	a letter from the Company to the Excluded Shareholder(s) (if any) explaining the circumstances in which the Excluded Shareholder(s) (if any) is/are not permitted to participate in the Rights Issue;
“Overseas Shareholder(s)”	the Shareholder(s) (whose names appear on the register of members of the Company at the close of business on the Record Date) with registered address(es) outside Hong Kong;

“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue;
“Posting Date”	Friday, 25 January 2019 or such other date as the Company may determine, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders;
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Prospectus”	the prospectus to be issued to the Shareholders containing, among other things, details of the Rights Issues;
“Prospectus Documents”	the Prospectus, the PAL and the EAF;
“Qualifying Shareholders”	Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date;
“Record Date”	Thursday, 24 January 2019 or on such other date as the Company may determine, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined;
“Registrar”	Tricor Abacus Limited, the Hong Kong branch share registrar and transfer office of the Company;
“Remaining Rights Shares”	the Rights Shares which constitute part of Shunde Investments’ assured entitlements under the Rights Issue and which Shunde Investments will not take up pursuant to the Nil-paid Rights Transfer Agreement;
“Rights Issue”	the issue by way of rights of one (1) Rights Share for every four (4) Shares in issue on the Record Date at the Subscription Price;
“Rights Share(s)”	up to 144,648,930 new Shares proposed to be allotted and issued under the Rights Issue;
“SFC”	the Securities and Futures Commission of Hong Kong;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);

“Shundean Investments”	Shundean Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Kimen Leung;
“Shundean Irrevocable Undertakings”	a deed of irrevocable undertakings entered into on 28 December 2018 by Shundean Investments in favour of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the subscription price of HK\$0.87 per Rights Share under the Rights Issue;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers; and
“%”	per cent.

By order of the Board
Alco Holdings Limited
LEUNG Wai Sing, Wilson
Chairman and Chief Executive Officer

Hong Kong, 28 December 2018

As at the date of this announcement, the executive directors of the Company are Mr. LEUNG Wai Sing, Wilson, Mr. KUOK Kun Man, Mr. LEUNG, Jimmy and Mr. LIU Lup Man. The independent non-executive directors are Mr. LI Wah Ming, Mr. LEE Tak Chi and Mr. CHEUNG, Johnson.