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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 328)



VARITRONIX

VARITRONIX INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

JOINT ANNOUNCEMENT

DISCLOSEABLE TRANSACTIONS

DISPOSAL OF CERTAIN CORPORATE BONDS

ISSUED BY AND SHAREHOLDING INTERESTS IN

HYDIS TECHNOLOGIES CO., LTD.

Alco and Varitronix jointly announce that on 13 September 2013, Alco Electronics (which is a wholly-owned subsidiary of Alco), Dream Pacific and PVIG entered into the Alco Transfer Agreement in relation to the Alco Disposal; and Varitronix and Dream Pacific entered into the Varitronix Transfer Agreement in relation to the Varitronix Disposal.

Pursuant to the Alco Transfer Agreement, Alco agreed to sell to PVIG and Dream Pacific the Alco Sale CB and the Alco Sale Shares, respectively, in accordance with the terms and conditions of the Alco Transfer Agreement. Pursuant to the Varitronix Transfer Agreement, Varitronix agreed to sell to Dream Pacific the Varitronix Sale CB and the Varitronix Sale Shares, in accordance with the terms and conditions of the Varitronix Transfer Agreement.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Alco Disposal is more than 5% but less than 25%, the Alco Disposal constitutes a discloseable transaction of Alco under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Varitronix Disposal is more than 5% but less than 25%, the Varitronix Disposal constitutes a discloseable transaction of Varitronix under Chapter 14 of the Listing Rules.

THE DISPOSALS

Date of the Alco Transfer Agreement

13 September 2013

Parties to the Alco Transfer Agreement

- (i) Alco Electronics (which is a wholly-owned subsidiary of Alco) as the vendor. As at the date of this announcement, Alco Electronics beneficially holds the Alco Sale CB and the Alco Sale Shares.
- (ii) Dream Pacific as the purchaser of Alco Sale Shares.
- (iii) PVIG as the purchaser of the Alco Sale CB.

To the best of the Alco Directors' knowledge, information and belief having made all reasonable enquiries, Dream Pacific, PVIG and their respective ultimate beneficial owners are third parties independent of and not connected with Alco and connected persons (as defined in the Listing Rules) of Alco.

Assets to be disposed of by Alco

Pursuant to the Alco Transfer Agreement, Alco Electronics agreed to sell to PVIG and Dream Pacific all corporate bonds issued by the Target Company held by Alco Electronics and all shares of the Target Company held by Alco Electronics as at the date of the Alco Transfer Agreement, respectively. Accordingly, Alco Electronics will dispose of the Alco Sale CB in the principal amount of KRW 11,440,000,000, and the Alco Sale Shares representing approximately 10.42% of the issued share capital of the Target Company as at the date of the Alco Transfer Agreement, to PVIG and Dream Pacific, respectively.

Consideration for the Alco Disposal

A consideration of US\$2,800,000 (equivalent to approximately HK\$21,840,000) shall be payable by Dream Pacific to Alco Electronics for the transfer of the Alco Sale Shares on the Alco Completion Date or any other date agreed in writing by Alco Electronics and Dream Pacific, by way of remittance by telegraphic transfer to the bank account designated by Alco Electronics.

A consideration of US\$10,000,000 (equivalent to approximately HK\$78,000,000) shall be payable by PVIG to Alco Electronics for the transfer of the Alco Sale CB, which shall be paid in five (5) equal

instalments of US\$2,000,000 (equivalent to approximately HK\$15,600,000) without interest. Such five (5) instalments shall be paid on 1 July 2014, 1 July 2015, 1 July 2016, 1 July 2017 and 1 July 2018, respectively, by way of remittance by telegraphic transfer to the bank account designated by Alco Electronics.

The consideration amounts have been determined after arm's length negotiation among Alco Electronics, Dream Pacific and PVIG after taking into account of (i) the unaudited net asset value of the Target Company, and (ii) the performance and business prospects of the Target Company.

Conditions Precedent for the Alco Disposal

The completion of the Alco Disposal is conditional upon satisfaction of each of the following:–

1. all approvals which must be obtained before the completion of the Alco Disposal have been obtained;
2. the required board of directors and/or shareholders meetings and resolutions required to duly transact the Alco Disposal have been duly convened and passed by each of Alco Electronics, Dream Pacific and PVIG;
3. the foreign investment report procedure under the Foreign Investment Promotion Act of the Republic of Korea (and any other approval procedure, if any) for the transfer of the Alco Sale Shares have been duly completed by Alco Electronics and Dream Pacific;
4. the approval of Investment Commission, MOEA Taiwan has been duly obtained by Dream Pacific for its purchase of Alco Sale Shares;
5. the representations and warranties contained in the Alco Transfer Agreement remain true and correct as of the time of the execution date of the Alco Transfer Agreement and the Alco Completion Date and all covenants required in the Alco Transfer Agreement have been performed; and
6. the Varitronix Disposal is to be completed and closed concurrently with the completion of the Alco Disposal.

Completion of the Alco Disposal

Completion of the transfer of the Alco Sale Shares shall take place at the Alco Completion Date, whereupon all of the above conditions precedent shall have been satisfied.

Completion of the transfer of the Alco Sale CB shall take place upon completion of the transfer of the Alco Sale Shares, hence also at the Alco Completion Date.

Corporate guarantee by the Guarantor in favour of Alco

Pursuant to the Alco Transfer Agreement, PVIG has delivered to Alco Electronics at the time of execution of the Alco Transfer Agreement a corporate guarantee deed duly executed by the Guarantor in favour of Alco Electronics to guarantee the payment obligations of PVIG in relation to the consideration for the transfer of the Alco Sale CB.

Such corporate guarantee deed will take effect on the same day as of the completion of the transfer of the Alco Sale CB and shall remain in full force and effect until the consideration for the transfer of the Alco Sale CB has been paid in full or upon termination of the Alco Transfer Agreement.

Date of the Varitronix Transfer Agreement

13 September 2013

Parties to the Varitronix Transfer Agreement

- (i) Varitronix as the vendor. As at the date of this announcement, Varitronix beneficially holds the Varitronix Sale CB and the Varitronix Sale Shares.
- (ii) Dream Pacific as the purchaser of both the Varitronix Sale CB and the Varitronix Sale Shares.

To the best of the Varitronix Directors' knowledge, information and belief having made all reasonable enquiries, Dream Pacific and its ultimate beneficial owners are third parties independent of and not connected with Varitronix and connected persons (as defined in the Listing Rules) of Varitronix.

Assets to be disposed of by Varitronix

Pursuant to the Varitronix Transfer Agreement, Varitronix agreed to sell to Dream Pacific all corporate bonds issued by the Target Company held by Varitronix and all shares of the Target Company held by Varitronix as at the date of the Varitronix Transfer Agreement. Accordingly, Varitronix will dispose of the Varitronix Sale CB in the principal amount of KRW 11,440,000,000, and the Varitronix Sale Shares representing approximately 10.42% of the issued share capital of the Target Company as at the date of the Varitronix Transfer Agreement, to Dream Pacific.

Consideration for the Varitronix Disposal

A consideration of US\$2,800,000 (equivalent to approximately HK\$21,840,000) shall be payable by Dream Pacific to Varitronix for the transfer of the Varitronix Sale Shares on the Varitronix Completion

Date or any other date agreed in writing by Varitronix and Dream Pacific, by way of remittance by telegraphic transfer to the bank account designated by Varitronix.

A consideration of US\$10,000,000 (equivalent to approximately HK\$78,000,000) shall be payable by Dream Pacific to Varitronix for the transfer of the Varitronix Sale CB, which shall be paid in five (5) equal instalments of US\$2,000,000 (equivalent to approximately HK\$15,600,000) without interest. Such five (5) instalments shall be paid on 1 July 2014, 1 July 2015, 1 July 2016, 1 July 2017 and 1 July 2018, respectively, by way of remittance by telegraphic transfer to the bank account designated by Varitronix.

The consideration amounts have been determined after arm's length negotiation among Varitronix and Dream Pacific after taking into account of (i) the unaudited net asset value of the Target Company, and (ii) the performance and business prospects of the Target Company.

Conditions Precedent for the Varitronix Disposal

The completion of the Varitronix Disposal is conditional upon satisfaction of each of the following:-

1. all approvals which must be obtained before the completion of the Varitronix Disposal have been obtained;
2. the required board of directors and/or shareholders meetings and resolutions required to duly transact the Varitronix Disposal have been duly convened and passed by each of Varitronix and Dream Pacific;
3. the foreign investment report procedure under the Foreign Investment Promotion Act of the Republic of Korea (and any other approval procedure, if any) for the transfer of the Varitronix Sale Shares have been duly completed by Varitronix and Dream Pacific;
4. the approval of Investment Commission, MOEA Taiwan has been duly obtained by Dream Pacific for its purchase of Varitronix Sale Shares;
5. the representations and warranties contained in the Varitronix Transfer Agreement remain true and correct as of the time of the execution date of the Varitronix Transfer Agreement and the Varitronix Completion Date and all covenants required in the Varitronix Transfer Agreement have been performed; and
6. the Alco Disposal is to be completed and closed concurrently with the completion of the Varitronix Disposal.

Completion of the Varitronix Disposal

Completion of the transfer of the Varitronix Sale Shares shall take place at the Varitronix Completion Date, whereupon all of the above conditions precedent shall have been satisfied.

Completion of the transfer of the Varitronix Sale CB shall take place upon completion of the transfer of the Varitronix Sale Shares, hence also at the Varitronix Completion Date.

Corporate guarantee by the Guarantor in favour of Varitronix

Pursuant to the Varitronix Transfer Agreement, Dream Pacific has delivered to Varitronix at the time of execution of the Varitronix Transfer Agreement a corporate guarantee deed duly executed by the Guarantor in favour of Varitronix to guarantee the payment obligations of Dream Pacific in relation to the consideration for the transfer of the Varitronix Sale CB.

Such corporate guarantee deed will take effect on the same day as of the completion of the transfer of the Varitronix Sale CB and shall remain in full force and effect until the consideration for the transfer of the Varitronix Sale CB has been paid in full or upon termination of the Varitronix Transfer Agreement.

INFORMATION OF ALCO AND ALCO ELECTRONICS

The principal activity of Alco is investment holding and the principal activities of Alco Group, including Alco Electronics, consist of designing, manufacturing and selling consumer electronic products.

INFORMATION OF VARITRONIX

The principal activity of Varitronix is investment holding. The principal activities of the Varitronix Group are designing, manufacturing and sale of liquid crystal displays and related products.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the Republic of Korea. The Target Company is principally engaged in the business of manufacturing and marketing thin film transistor liquid crystal display (TFT-LCD).

INFORMATION OF DREAM PACIFIC, PVIG AND THE GUARANTOR

Both Dream Pacific and PVIG are wholly-owned subsidiaries of the Guarantor. The Guarantor is a company incorporated in the Republic of China (Taiwan) and both Dream Pacific and PVIG are incorporated in the British Virgin Islands. The principal activity of the Guarantor is manufacturing,

researching and marketing Electronic Paper (ePaper based on Electrophoretic technology) and TFT LCD (Thin Film Transistor based Liquid Crystal Display). The principal activities of Dream Pacific and PVIG are investment holding.

REASONS FOR THE DISPOSALS

The Target Company has been facing keen competition in the market and the situation has deteriorated after the financial tsunami in late 2008.

Both the Alco Directors and the Varitronix Directors are uncertain as to the future prospects of the business of the Target Company. The Alco Directors and the Varitronix Directors believe that the disposal by Alco and Varitronix respectively of its non-profit making investment in the Target Company at the respective consideration disclosed above represents the best interest of Alco and Varitronix, respectively, in view of the present circumstances.

The Alco Directors consider that the terms of the Alco Disposal are based on arms-length negotiations among Alco, Dream Pacific and PVIG and that the same are fair and reasonable and in the interests of Alco and its shareholders as a whole.

The Varitronix Directors consider that the terms of the Varitronix Disposal are based on arms-length negotiations between Varitronix and Dream Pacific and that the same are fair and reasonable and in the interests of Varitronix and its shareholders as a whole.

FINANCIAL INFORMATION

The financial information extracted from the audited accounts of the Target Company for the two financial years ended 31 December 2011 and 31 December 2012 is as follows:

	Year ended 31 December 2011	Year ended 31 December 2012
	Audited (HK\$'000)	Audited (HK\$'000)
Net asset	394,713	139,428
Revenue	2,942,874	3,598,925
Loss before taxation	88,364	249,738
Loss after taxation	90,509	284,144

For illustrative purposes only, in relation to the HK\$ figures set out above, the exchange rate of HK\$1.00 to KRW148.38 has been adopted for converting the financial information extracted from the audited accounts of the Target Company for the financial year ended 31 December 2011 and the exchange rate of HK\$1.00 to KRW138.18 has been adopted for converting the financial information extracted from the audited accounts of the Target Company for the financial year ended 31 December 2012, respectively.

According to the audited accounts of Alco, the book value of the Alco Sale CB is HK\$78,414,000 and HK\$79,875,000 for the financial years ended 31 March 2012 and 31 March 2013, respectively. Alco recorded a net loss (both before and after taxation and extraordinary items) of HK\$208,000 and a net profit (both before and after taxation and extraordinary items) of HK\$4,168,000 attributable to the Alco Sale CB generated from the interest income and foreign exchange incurred under the Alco Sale CB for the financial years ended 31 March 2012 and 31 March 2013, respectively.

According to the audited accounts of Varitronix, the book value of the Varitronix Sale CB is HK\$71,918,000 and HK\$82,848,000 for the financial years ended 31 December 2011 and 31 December 2012, respectively. Varitronix recorded a net profit (both before and after taxation and extraordinary items) of HK\$4,466,000 and HK\$13,639,000 attributable to the Varitronix Sale CB generated from the interest income and foreign exchange incurred under the Varitronix Sale CB for the financial years ended 31 December 2011 and 31 December 2012, respectively.

GAIN OR LOSS ATTRIBUTABLE TO THE DISPOSALS

Subject to audit, upon completion of the transfer of the Alco Sale Shares, the Alco Group expects to record a net loss of approximately HK\$15,113,000 arising from the disposal of the Alco Sale Shares. The net loss represents the difference between the consideration amount of approximately HK\$21,840,000 and the book value of the Alco Sale Shares of HK\$36,953,000.

Subject to audit, upon completion of the transfer of the Alco Sale CB, Alco Group expects to record a net loss of approximately HK\$1,875,000 arising from the disposal of the Alco Sale CB. The net loss represents the difference between the consideration of approximately HK\$78,000,000 and the book value of the Alco Sale CB of HK\$79,875,000.

Subject to audit, upon completion of the transfer of the Varitronix Sale Shares, the Varitronix Group expects to record a net loss of approximately HK\$15,440,000 arising from the disposal of the Varitronix Sale Shares. The net loss represents the difference between the consideration amount of approximately HK\$21,840,000 and the book value of the Varitronix Sale Shares of HK\$37,280,000.

Subject to audit, upon completion of the transfer of the Varitronix Sale CB, Varitronix Group expects to record a net loss of approximately HK\$1,790,000 arising from the disposal of the Varitronix Sale CB. The net loss represents the difference between the consideration of approximately HK\$78,000,000 and the book value of the Varitronix Sale CB of HK\$79,790,000.

USE OF PROCEEDS

It is expected that the net proceeds of the Alco Disposal would be used for the business development and general working capital of Alco Group.

It is expected that the net proceeds of the Varitronix Disposal would be used for the business development and general working capital of Varitronix Group.

GENERAL

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Alco Disposal is more than 5% but less than 25%, the Alco Disposal constitutes a discloseable transaction of Alco under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Varitronix Disposal is more than 5% but less than 25%, the Varitronix Disposal constitutes a discloseable transaction of Varitronix under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Alco”	Alco Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
“Alco Completion Date”	the date to be agreed by Alco Electronics and Dream Pacific for the completion of the transfer of the Alco Sale Shares, which is expected to be no later than 31 October 2013
“Alco Directors”	directors of Alco
“Alco Disposal”	the disposal by Alco Electronics of the Alco Sale CB and the Alco Sale Shares to PVIG and Dream Pacific, respectively

“Alco Electronics”	Alco Electronics Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Alco
“Alco Group”	Alco and its subsidiaries
“Alco Sale CB”	the non-guaranteed and non-convertible corporate bonds issued by the Target Company, in the principal amount of KRW 11,440,000,000 with interest payable at 3% per annum, held by Alco Electronics as at the date of the Alco Transfer Agreement
“Alco Sale Shares”	416,159 voting common shares of the Target Company held by Alco Electronics, representing approximately 10.42% of the issued share capital of the Target Company as at the date of the Alco Transfer Agreement
“Alco Transfer Agreement”	the Share and Bond Transfer Agreement dated 13 September 2013 entered into among Alco Electronics, PVIG and Dream Pacific in relation to the Alco Disposal
“Disposals”	the Alco Disposal and the Varitronix Disposal
“Dream Pacific”	Dream Pacific International Corp., a company incorporated in the British Virgin Islands
“Guarantor”	E Ink Holdings Inc., a company incorporated in the Republic of China (Taiwan)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“KRW”	Korean Won, the lawful currency of the Republic of Korea
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and the Republic of China (Taiwan)

“PVIIG”	PVI Global Corporation, a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hydis Technologies Co., Ltd., formerly known as BOE Hydis Technology Co., Ltd., a company incorporated in the Republic of Korea
“US\$”	United States dollars, the lawful currency of the United States
“Varitronix”	Varitronix International Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
“Varitronix Completion Date”	the date to be agreed by Varitronix and Dream Pacific for the completion of the transfer of the Varitronix Sale Shares, which is expected to be no later than 31 October 2013
“Varitronix Directors”	directors of Varitronix
“Varitronix Disposal”	the disposal by Varitronix of the Varitronix Sale CB and the Varitronix Sale Shares to Dream Pacific
“Varitronix Group”	Varitronix and its subsidiaries
“Varitronix Sale CB”	the non-guaranteed and non-convertible corporate bonds issued by the Target Company, in the principal amount of KRW 11,440,000,000 with interest payable at 3% per annum, held by Varitronix as at the date of the Varitronix Transfer Agreement
“Varitronix Sale Shares”	416,159 voting common shares of the Target Company held by Varitronix, representing approximately 10.42% of the issued share capital of the Target Company as at the date of the Varitronix Transfer Agreement
“Varitronix Transfer Agreement”	the Share and Bond Transfer Agreement dated 13 September 2013 entered into between Varitronix and Dream Pacific in relation to the Varitronix Disposal
“%”	per cent.

Unless otherwise specified, the exchange rate of HK\$7.80 to US\$1.00 is used in this announcement for illustrative purposes only. No representation is made that any amounts in HK\$ or US\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

By order of the board
Alco Holdings Limited
Leung Kai Ching, Kimen
Chairman

By order of the board
Varitronix International Limited
Ko Chun Shun, Johnson
Chairman

Hong Kong, 13 September 2013

The board compositions of each of Alco and Varitronix as at the date of this announcement are as follows:

ALCO

Executive directors:

Mr. Leung Kai Ching, Kimen
Mr. Leung Wai Sing, Wilson
Mr. Kuok Kun Man, Andrew

Independent non-executive directors:

Mr. Li Wah Ming, Fred
Mr. Lau Wang Yip, Derrick
Mr. Lee Tak Chi

VARITRONIX

Executive directors:

Mr. Ko Chun Shun, Johnson
Mr. Tsoi Tong Hoo, Tony
Mr. Yuen Kin
Mr. Ho Te Hwai, Cecil

Independent non-executive directors:

Dr. Lo Wing Yan, William J.P.
Mr. Chau Shing Yim, David
Mr. Hou Ziqiang