ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 328)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2019

PERFORMANCE HIGHLIGHTS

	2019	2018
– Revenue (HK$)	**1,545m**	2,081m
– Loss attributable to equity holders (HK$)	**(563m)**	(86m)
– Final dividend per share	**–**	HK2 cents
– Full year dividend per share	**–**	HK5 cents

The directors of Alco Holdings Limited (the "Company") announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**1,545,212**	2,080,707
Cost of goods sold	*5*	**(1,794,673)**	(1,982,104)
Gross (loss)/profit		**(249,461)**	98,603
Other income, net	*4*	**11,028**	41,227
Selling expenses	*5*	**(155,199)**	(95,117)
Administrative expenses	*5*	**(140,070)**	(96,978)
Reversal of/(provision for) impairment losses on financial assets	*5*	**600**	(2,908)
Other operating expenses	*5*	**(6,815)**	(14,918)
Operating loss		**(539,917)**	(70,091)
Finance income		**4,867**	8,045
Finance costs		**(16,165)**	(9,253)
Loss before income tax		**(551,215)**	(71,299)
Income tax expense	*7*	**(11,948)**	(14,637)
Loss for the year		**(563,163)**	(85,936)
Loss for the year attributable to:			
– Equity holders of the Company		**(563,134)**	(85,808)
– Non-controlling interests		**(29)**	(128)
		(563,163)	(85,936)
Loss per share attributable to equity holders of the Company			
– Basic	*8*	**(HK94.8 cents)**	(HK14.8 cents)
– Diluted	*8*	**(HK94.8 cents)**	(HK14.8 cents)
Dividends	*9*	**–**	28,930

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(563,163)**	(85,936)
Other comprehensive (loss)/income, net of tax:		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences	**(12,412)**	16,473
Item that will not be reclassified to profit or loss		
Revaluation gain on transfer of owner-occupied property to investment property	**65,423**	–
Total comprehensive loss for the year	**(510,152)**	(69,463)
Total comprehensive loss for the year attributable to:		
– Equity holders of the Company	**(510,123)**	(69,335)
– Non-controlling interests	**(29)**	(128)
	(510,152)	(69,463)

CONSOLIDATED BALANCE SHEET

As at 31 March 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**316,797**	350,007
Investment properties		**78,238**	93,988
Leasehold land and land use rights		**–**	5,926
Intangible assets		**2,004**	36,652
Deferred income tax assets		**8,153**	16,790
Prepayments, deposits and other receivables	*10*	**11,560**	17,677
		416,752	521,040
Current assets			
Inventories		**480,248**	403,591
Trade and other receivables	*10*	**531,304**	864,157
Other current assets		**7,986**	–
Current income tax recoverable		**13,075**	13,090
Cash and cash equivalents		**277,474**	279,520
		1,310,087	1,560,358
Current liabilities			
Trade and other payables	*11*	**205,340**	215,090
Current income tax liabilities		**3,396**	3,361
Borrowings		**143,397**	91,615
		352,133	310,066
Net current assets		**957,954**	1,250,292
Total assets less current liabilities		**1,374,706**	1,771,332

	Note	**2019**	2018
		HK$'000	*HK$'000*
Capital and reserves attributable to equity holders of the Company			
Share capital		**72,324**	57,860
Reserves		**1,257,744**	1,671,938
		1,330,068	1,729,798
Non-controlling interests		**(598)**	(569)
Total equity		**1,329,470**	1,729,229
Non-current liabilities			
Other payables	*11*	**4,720**	–
Borrowings		**40,516**	42,103
		45,236	42,103
Total equity and non-current liabilities		**1,374,706**	1,771,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. Amendments of standards adopted by the Group

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 April 2018:

HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration
HKAS 28 (Amendment)	Investment in associate and joint ventures
HKAS 40 (Amendment)	Transfer of investment property
HKFRS 1 (Amendment)	First time adoption of HKFRS

The impact of the adoption of HKFRS 9 and HKFRS 15 is disclosed below. The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilitites, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisional in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The Group's financial assets measured at amortised cost continue with their classification and measurements upon the adoption of HKFRS 9.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade receivables, and

- Other financial assets carried at amortised cost.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group has applied the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

In the prior year (before adoption of HKFRS9), the impairment of trade receivables was assessed based on the incurred loss model. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indication that the receivable is impaired.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 April 2018 and the change in impairment methodologies has resulted in an increase of the loss allowance on 1 April 2018 by HK$1,900,000 for trade receivables.

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables. The Group has assessed that the expected credit loss model apply to the deposits and other receivables as at 1 April 2018 and the change in impairment methodologies has no material impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The total impact on the Group's retained earnings as at 1 April 2018 is as follows:

	HK$'000
Closing retained earnings as at 31 March 2018 – HKAS 39	1,353,170
Increase in provision for impairment for trade receivables	(1,900)
Opening retained earnings as at 1 April 2018 – HKFRS 9	1,351,270

HKFRS 15

The Group has adopted HKFRS 15 from 1 April 2018 which resulted in changes to accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The Group elected to adopt HKFRS 15 without restating comparatives as it has chosen the simplified transition method, to apply HKFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 April 2018).

The reclassifications and the adjustments arising from the new revenue recognition rules are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018. In summary, the following adjustments were made to the amounts recognised in the consolidated balance sheet at the date of initial application (1 April 2018):

Consolidated balance sheet (extracted):	**HKAS 18 carrying amount 31 March 2018** *HK$'000*	**Reclassification**	**HKFRS 15 carrying amount 1 April 2018** *HK$'000*
Current assets			
Trade and other receivables	864,157	28,000	892,157
Inventories	403,591	(7,560)	396,031
Other current assets	–	7,560	7,560
Current liabilities			
Trade and other payables	215,090	28,000	243,090

Accounting for refunds

When the customer has a right to return the product within a given period, the entity is obliged to refund the purchase price. The Group previously recognised the expected refunds to customers as adjustment to revenue in trade receivables of HK$28,000,000 and to cost of goods sold in inventories of HK$7,560,000 at 31 March 2018. Revenue was adjusted for the expected value of the returns and cost of goods sold were adjusted for the value of the corresponding goods expected to be returned.

Under HKFRS 15, a refund liability for the expected refunds to customers is recognised as adjustment to revenue in other payables of HK$28,000,000 at 31 March 2018. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognises right to returned goods in other current assets and a corresponding adjustment to cost of goods sold of HK$7,560,000 at 31 March 2018.

To reflect this change in policy, the Group has reclassified HK$28,000,000 from trade and other receivables to trade and other payables and reclassified HK$7,560,000 from inventories to other current assets of HK$7,560,000 on 31 March 2018.

The new standards, amendments to standards, interpretation and conceptual framework relevant to the Group which have been issued, but not effective for the financial year beginning 1 April 2018 and have not been early adopted:

		Effective for accounting period beginning on or after
HKFRS 19 (Amendments)	Employee benefits	1 January 2019
HKFRS 28 (Amendments)	Investment in associates and joint venture	1 January 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS	Annual improvements to HKFRS 2015-2017 cycle	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKFRS 28 (Amendments)	Sale or contribution of assets between an investor and its associates and joint venture	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group's assessment of the impact of HKFRS 16 is set out below:

HKFRS 16, "Leases"

Nature of change

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$378,842,000. Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis over the lease term.

Date of adoption by Group

This standard is mandatory for financial years commencing on or after 1 April 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other new standards, amendments to standards, interpretation and conceptual framework that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Segment information

(a) Segment analysed by products

The Group mainly operates in the People's Republic of China (the "PRC"), Taiwan and Hong Kong and is principally engaged in designing, manufacturing and selling of consumer electronic products.

During the year, the chief operating decision-makers examine the Group's performance both from a product and geographic perspective and has identified two reportable segments of its business:

AV products – Design, manufacture and sale of consumer electronic products, including audio, video and tablet products

Notebook products – Design, manufacture and sale of commercial notebook and personal computer products

The Group's inter-segment transactions mainly consist of sale of assembly parts among subsidiaries. The transactions were entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

	2019				2018			
	AV products	**Notebook products**	**Elimination**	**Total**	AV products	Notebook products	Elimination	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue								
External sales	**1,387,713**	**157,499**	**–**	**1,545,212**	2,067,912	12,795	–	2,080,707
Inter-segment sales	**5,620**	**34,557**	**(40,177)**	**–**	23,139	14,902	(38,041)	–
	1,393,333	**192,056**	**(40,177)**	**1,545,212**	2,091,051	27,697	(38,041)	2,080,707
Segment results	**(205,570)**	**(314,347)**	**–**	**(519,917)**	(18,294)	(51,797)	–	(70,091)
Provision for impairment of property, plant and equipment				**(20,000)**				–
Finance income				**4,867**				8,045
Finance costs				**(16,165)**				(9,253)
Loss before income tax				**(551,215)**				(71,299)
Income tax expense				**(11,948)**				(14,637)
Loss for the year				**(563,163)**				(85,936)
Loss for the year attributable to								
– Equity holders of the Company				**(563,134)**				(85,808)
– Non-controlling interest				**(29)**				(128)
				(563,163)				(85,936)

(b) *Segment analysed by geographical area*

The segment revenue for the years ended 31 March 2019 and 2018 are as follows:

	2019	2018
	HK$'000	*HK$'000*
North America	**1,379,523**	2,025,007
Asia	**132,909**	33,563
Europe	**29,042**	20,609
Others	**3,738**	1,528
	1,545,212	2,080,707

The analysis of revenue by geographical area is based on the destination to which the shipments are made.

Primarily all of the Group's assets and capital expenditure for the years ended 31 March 2019 and 2018 were located or utilised in the PRC, Taiwan or Hong Kong.

4. Other income, net

	2019	2018
	HK$'000	*HK$'000*
Fair value (loss)/gain on investment properties	**(2,726)**	3,500
Rental income from investment properties	**4,724**	3,846
Amortisation of deferred gain *(note 6)*	**–**	33,446
Net gain on disposal of investment property	**2,650**	–
Refund of royalties fee	**6,256**	–
Others	**124**	435
	11,028	41,227

5. Expenses by nature

Expenses included in cost of goods sold, selling expenses, administrative expenses, (reversal of)/provision for impairment losses on financial assets and other operating expenses are analysed as follows:

	2019	2018
	HK$'000	*HK$'000*
Amortisation of intangible assets	**13,932**	9,899
Amortisation of leasehold land and land use rights	**47**	283
Auditor's remuneration	**2,280**	2,280
Cost of inventories	**1,342,403**	1,651,059
Provision for impairment of inventories	**34,413**	4,486
Provision for impairment of property, plant and equipment	**20,000**	–
Provision for impairment of intangible assets	**21,761**	–
Depreciation of property, plant and equipment	**48,249**	38,857
Employee benefit expenses (including directors' emoluments)	**215,455**	203,384
Severance pay	**2,707**	8,482
Loss on disposal of plant and equipment	**433**	1,399
Operating lease rental in respect of land and buildings	**29,584**	26,249
Research and development costs	**84,578**	35,007
Repairs and inspection costs	**20,303**	19,700
Promotion and exhibition expenses	**74,710**	24,375
(Reversal of)/provision for impairment losses on financial assets	**(600)**	2,908

6. Gain on disposal of properties and deferred gain

In January 2016, the Group disposed of a self-occupied property and certain investment properties in Hong Kong with carrying values of HK$23,791,000 and HK$236,310,000, respectively, at a total net consideration of HK$533,769,000 to an independent third party. The Group subsequently leased back such self-occupied property for its own use for 3 years commencing from the completion date of the aforesaid transaction. The excess of consideration over fair value of such leased property has been deferred and amortised over the lease period. The lease was early terminated in February 2018 and, as a result, the remaining deferred gain totaling HK$33,446,000 as at 1 April 2017 was recognised in the consolidated financial statements for the year ended 31 March 2018.

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year. Corporate income tax on profits generated from subsidiaries operating in the PRC has been calculated at 25% in accordance with the relevant PRC tax law and regulations. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2019	2018
	HK\$'000	*HK\$'000*
Current income tax		
– Hong Kong profits tax	**(8)**	(5)
– PRC corporate income tax	**(3,631)**	(2,036)
– Overseas corporate income tax	**(35)**	(69)
– Under-provision in prior years	**(17)**	(2)
Deferred income tax charge	**(8,257)**	(12,525)
Income tax expense	**(11,948)**	(14,637)

8. Loss per share

Basic

Basic loss per share is calculated by dividing the loss for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares in issue for the purpose of calculating basic loss per share for the year ended 31 March 2019 has been adjusted for the rights issue proposed and completed during the year.

	2019	2018
Loss attributable to equity holders of the Company *(HK\$'000)*	**(563,134)**	(85,808)
Weighted average number of ordinary shares in issue	**594,051,359**	579,044,115
Basic loss per share *(HK cents)*	**(94.8)**	(14.8)

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares during the years ended 31 March 2019 and 2018. Therefore, the diluted loss per share is the same as basic loss per share.

9. Dividends

	2019	2018
	HK$'000	*HK$'000*
No Interim dividend paid (2018: HK3 cents per ordinary share)	**–**	17,358
No final dividend proposed (2018: HK2 cents per ordinary share)	**–**	11,572
	–	28,930

The directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2019 (2018: HK2 cents per ordinary share).

10. Trade and other receivables

	2019	2018
	HK$'000	*HK$'000*
Non-current		
Prepayments, deposits and other receivables	**11,560**	17,677
Current		
Trade receivables	**512,054**	826,632
Less: Loss allowance	**(1,300)**	(2,908)
Trade receivables, net	**510,754**	823,724
Prepayments, deposits and other receivables	**20,550**	40,433
	531,304	864,157
	542,864	881,834

At 31 March 2019 and 2018, the ageing analysis of the trade receivables based on shipping terms is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**41,899**	103,685
31 – 60 days	**62,159**	153,351
61 – 90 days	**69,602**	111,182
Over 90 days	**337,094**	455,506
	510,754	823,724

11. Trade and other payables

	2019	2018
	HK$'000	*HK$'000*
Non-current		
Other payables	**4,720**	–
Current		
Trade payables	**94,128**	149,876
Other payables and accruals	**95,979**	65,214
Refund liabilities	**15,233**	–
	205,340	215,090
	210,060	215,090

At 31 March 2019 and 2018, the ageing analysis of the trade payables based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**76,763**	118,621
31 – 60 days	**8,446**	18,497
61 – 90 days	**2,008**	5,809
Over 90 days	**6,911**	6,949
	94,128	149,876

DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2019 (2018: HK2 cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 15 August 2019 to Tuesday, 20 August 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 14 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results and Dividends

For the year under review, the Group recorded turnover of HK$1.5 billion (2018: HK$2.1 billion) and net loss attributable to shareholders of HK$563 million (2018: net loss attributable to shareholders of HK$86 million). The net loss was partly the result of a decline in sales of approximately 26% which was partly due to a global shortage of central processor units as used for the manufacturing of laptop and tablet products. Furthermore, sales were impacted by the on-going China-US trade war that dampened the sentiment of buyers in the United States (which is the key market for the Group's tablet and audio visual products) such that some of the Group's customers became more hesitant in placing large-quantity orders. Under such an adverse business environment, which not only affected the Group but also many of its competitors, cut-throat competition ensued, leading to extreme price pressure that severely eroded the Group's gross margin. Moreover, substantial investments in advertising and promotions, products development and R&D, along with start-up costs and operating expenses associated with the opening of offices in key markets, all associated with the Group's notebook PC business, further impacted profitability.

Another reason for the net loss was the impairment or unrecognition of certain fixed assets, inventory, intangible assets and deferred tax assets. For inventory, in addition to the provision of HK$119 million made in prior years, we had further made an impairment of HK$34 million for obsolete raw materials and finished goods.

As the Group's business incurred losses, pursuant to requirements of accounting standards, an impairment of HK$20 million had been made on certain fixed assets.

For intangible assets, certain R&D costs related to the notebook PC products, amounting to HK$28 million, which would have been capitalised as intangible assets if judged under the same criteria as last year, had been directly charged to the consolidated income statement. Furthermore, R&D costs of HK$22 million that were capitalised in previous years had become impaired this year. Consequently, an additional R&D cost of HK$50 million that are related to notebook PC products was recorded.

Lastly, similar to the treatments or reversals of intangible assets mentioned above, certain deferred tax assets of HK$8 million in respect of loss incurring subsidiaries were reversed and, at the same time, tax losses of HK$55 million in respect of current year's financial performance were not recognised.

The directors do not recommend the payment of a final dividend (2018: HK2 cents per share) for the financial year ended 31 March 2019.

Review Of Operations

Since the start of the financial year under review, macroeconomic conditions have deteriorated, culminating in one of the toughest, if not the toughest business environment in decades. The ever escalating China-US trade dispute and weakened global economy have resulted in an erosion in confidence among manufacturers and retailers, with some retailers subsequently choosing to place orders in piecemeal fashion and in lower quantities as countermeasures for the possible imposition of new tariffs.

To accommodate such actions, the Group had to purchase relevant components in smaller increments to match the lower quantities of incoming orders. This inevitably affected material costs as the Group was placed in a weaker position when negotiating with vendors for volume discounts. Also, production efficiency was severely hampered by the smaller and randomness of orders as start-and-stop production runs unavoidably result in idle equipment, lost labour hours, and wastage across various aspects of manufacturing. It is worth noting as well that despite the high level of automation found at the Group's production facility in Houjie Town (Dongguan), the need for skilled workers particularly during peak season remained difficult to meet, resulting in greater expenses incurred for recruiting workers from other provinces.

Despite such severe challenges, the Group has continued to implement a long-term growth strategy that centres on the development and promotion of Consumer Laptops and B2B/Commercial Laptops, which are under the AVITA and Nexstgo brands respectively. As at the year under review, there are a total of 10 Consumer Laptops and B2B/Commercial Laptops in the Group's portfolio. With respect to markets and channels penetration, the Group has established operations in 10 key Asian markets, including Hong Kong, Taiwan, Singapore, Malaysia, China, India, Indonesia, Vietnam, Thailand and the Philippines. Besides promoting the entry of AVITA and Nexstgo laptops, the Group's wholly owned subsidiary, Nexstgo Company Limited, has also been working closely with VAIO Corporation of Japan. Nexstgo distributes VAIO's S11 and S13 B2B/Commercial Laptops to the Hong Kong, Macao, Singapore and Taiwan markets. Going forward, Nexstgo will continue to work closely with the Japanese company on both product development and market expansion of VAIO branded laptops.

As regards the Group's products that have traditionally been most popular with US retailers, specifically, its Soundbar and Home Theatre Systems, revenue was affected owing to an erosion in confidence among such retailers. Furthermore, RCA branded Windows tablets were severely impacted by the global shortage of central processing units, which not only resulted in a significant reduction in revenue, but also led to higher costs (the Group had to buy central processing units at high costs in order to secure supply) that placed significant pressure on profitability.

Besides constantly bolstering its product portfolio and market presence, the Group is also mindful of the importance of strengthening its production capabilities. The high costs needed to recruit well-educated and skilled labour during peak production periods is a stark reminder of the urgency to continue to automate and streamline manufacturing operations. Despite already having some 100 robots at the Houjie Town production plant, the Group will continue to invest in automation, control manufacturing expenses, and ensure greater flexibility, which is particularly essential for handling short turnaround orders.

During the period under review, the Group's proposed Rights Issue (on the basis of one rights share for every four shares) announced in December 2018 resulted in highly favourable response as highlighted by an oversubscription rate of approximately 389% and gross proceeds raised of approximately HK$125.84 million before expenses.

The Group has also increased its capital reserves by way of disposal of its property, located at 7 Floor, Block 1 and associated car parks on the ground floor of Kwai Tak Industrial Centre, 15-33 Kwai Tak Street, Kwai Chung, New Territories. The disposal agreement reached in October 2018 has resulted in fair returns from the property.

Prospects

Since it is uncertain that there will be a quick and amicable settlement to the trade dispute between China and the United States, it is all the more important for the Group to remain committed to implementing its development strategy, which will allow it to achieve long-term growth, reduce reliance on the USA market, and ultimately to emerge unscathed despite the extremely challenging business conditions that are straining many other companies in the industry.

Consistent with this strategy, the Group will continue to proactively develop its Consumer Laptops and B2B/Commercial Laptops businesses. The most recent fruits of the Group's efforts include the AVITA ADMIROR flagship laptop and Nexstgo PRIMUS NX301 ultra lightweight business-grade laptop that officially debuted during COMPUTEX 2019 in Taipei (held from 28 May to 1 June). Offering both style and substance, these newest additions will further bolster the Group's market position and enhance its reputation for innovation in the notebook PC community. Also under development are laptops that provide very high value-for-money propositions to consumers, which, together with the newly launched ADMIROR and PRIMUS NX301 series, will enable the Group's notebook PC business to once again generate record-high revenue in the coming months.

With respect to products that will be introduced in 2020 and 2021, the Group is actively evaluating laptops that incorporate 5G cellular network technology, business-grade laptops that incorporate graphic processors and gaming capabilities, and laptops that possibly incorporate block chain security.

To expedite business development, the Group will continue to direct resources and energies towards marketing and promotions so that the stature of the Group's principal brands such as AVITA and Nexstgo are further raised.

Having increased public awareness in key markets in Asia, the Group will continue to penetrate these markets while at the same time seek to tap new markets, with the Middle East being a particularly important region where citizens in countries such as Saudi Arabia and the UAE have high levels of income and can appreciate products with high quality and reliability.

At the same time as the Group pushes to enhance its notebook PC business, rationalisation efforts are also implemented to reduce fixed and variable costs of the Group's various operations, especially those involving products that have become less and less popular. Since the quantity of laptops to be produced by the Group in the 2019/2020 financial year will rise further, economies of scale, both in production efficiency and costs of materials, from notebook PC business will continue to improve and in turn contribute positively to the Group's results.

Even though the Group has endured extremely challenging times in the past 12 months, undoubtedly one of the most difficult periods in its over 50-year history, it has not seen the various obstacles encountered as insurmountable and it will remain focused on new opportunities that can further its sustainable growth. The decisive measures the Group has taken are proof of this approach and they included restructuring various aspects of different operations to lower fixed costs; research and development spending for next generation Consumer Laptops, B2B/Commercial Laptops and high value-added products; investment in marketing, promotion and brand development; establishment of beachheads in key markets; and continuous automation of production activities. Backed by an experienced management team that has witnessed countless peaks and troughs over the years, the Group will continue to strive to achieve new milestones as it enters its second half century of operation.

Liquidity and financial resources

The Group's total equity and total equity per share as at 31 March 2019 were HK$1,329 million (2018: HK$1,729 million) and HK$1.84 (2018: HK$2.99) respectively.

The Group maintains a healthy financial position. As at 31 March 2019, we had cash and deposits of HK$277 million. After deducting bank borrowings of HK$184 million, we had net cash of HK$93 million. The Group has adequate liquidity for future working capital requirements.

To strengthen the financial position, on 28 December 2018, the Group proposed a rights issue on the basis of one rights share for every four existing shares held with subscription price of HK$0.87 per rights share (the "Rights Issue"). There was an over-subscription of approximately 389% and a total of 144,648,930 shares were issued under the Rights Issue on 21 February 2019. The net proceeds from the Rights Issue were approximately HK$124 million.

As at 31 March 2019, our inventory was HK$480 million (2018: HK$404 million). We take a cautious approach to monitor the inventory level especially during this environment with uncertainty. As at year end, apart from the normal provision, the Group had made an impairment of certain obsolete raw materials and finished goods totalling HK$34 million.

Trade receivables as at 31 March 2019 was HK$511 million (2018: HK$824 million). It is our policy to deal with creditworthy customers and to adopt a prudent credit policy, and we have been closely monitoring credit risk.

Trade payables as at 31 March 2019 was HK$94 million (2018: HK$150 million).

Capital expenditure on fixed assets during the year was HK$47 million (2018: HK$180 million). As at 31 March 2019, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery and renovation amounting to HK$8,815,000 (2018: HK$13,030,000).

Due to peg-rate system, we have limited exposure to trade-related foreign exchange risk as substantially all of our sales, purchases and borrowings are denominated in United States dollars and Hong Kong dollars. Adhering to the policy of not engaging in currency speculation, there was no gain or loss from speculative activities during the reporting financial year.

To naturally hedge against the potential cost impact caused by RMB, the Group has diversified its cash portfolio by investing in RMB denominated deposits. As at 31 March 2019, the amount totalled RMB86 million.

Employees

As at 31 March 2019, the Group had approximately 1,300 (2018: 1,400) employees in the PRC, Taiwan and Hong Kong. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. We also provide other benefits including medical insurance, provident fund and education subsidies to all eligible staff.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 March 2019 and the Company has not redeemed any of its shares during the same financial year.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the 12 months ended 31 March 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions with the Company for the 12 months ended 31 March 2019.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the financial statements of the Group for the year ended 31 March 2019.

The Audit Committee currently comprises four independent non-executive directors of the Company, namely Mr CHEUNG, Johnson, Mr LI Wah Ming, Mr LEE Tak Chi, Mr CHEUNG Ka Wing.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2019 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website at www.irasia.com/listco/hk/alco/index.htm. The annual report of the Company containing all the information required by the Listing Rules will be published on the above websites in due course.

LIST OF DIRECTORS

As at the date of this announcement, the Board of Directors comprises three executive directors, namely Mr LEUNG Wai Sing, Wilson, Mr LEUNG, Jimmy and Mr LIU Lup Man and four independent non-executive directors, namely Mr LI Wah Ming, Mr LEE Tak Chi, Mr CHEUNG, Johnson and Mr CHEUNG Ka Wing.

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

Hong Kong, 26 June 2019