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 2021

1. Total revenue grew 33% to HK$1,279 million

2. Our own notebook computer brands

   - Segmental revenue grew 261% to HK$632 million

   - Accounted for almost half of total revenue

3. Gross loss margin improved significantly to –4.8%

4. Net loss improved by 40% to HK$360 million

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 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2021

	Note	**2021**	2020
		HK$'000	*HK$'000*
Revenue	*3*	**1,278,686**	961,246
Cost of goods sold	*5*	**(1,340,994)**	(1,025,369)
Gross loss		**(62,308)**	(64,123)
Other income, gain and loss	*4*	**45,958**	2,740
Selling expenses	*5*	**(111,943)**	(134,618)
Administrative expenses	*5*	**(113,789)**	(146,565)
Research and development expenses	*5*	**(79,518)**	(84,197)
Other operating expenses	*5*	**(13,523)**	(5,668)
Reversal of/(Provision for) impairment losses on trade and other receivables		**5,025**	(9,585)
Provision for impairment of property, plant and equipment	*9*	**(14,896)**	(95,758)
Provision for impairment of right-of-use assets	*9*	**(914)**	(30,342)
Provision for impairment of intangible assets	*9*	**(6,010)**	(810)
		(351,918)	(568,926)
Finance income		**2,750**	1,109
Finance costs		**(11,471)**	(26,169)
Loss before income tax		**(360,639)**	(593,986)
Income tax credit/(expense)	*6*	**199**	(5,444)
Loss for the year		**(360,440)**	(599,430)
Attributable to:			
– Equity holders of the Company		**(360,463)**	(599,374)
– Non-controlling interests		**23**	(56)
		(360,440)	(599,430)
Loss per share attributable to equity holders of the Company			
– Basic	*7*	**(HK49.8 cents)**	(HK82.9 cents)
– Diluted	*7*	**(HK49.8 cents)**	(HK82.9 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021	2020
	HK$'000	*HK$'000*
Loss for the year	**(360,440)**	(599,430)
Other comprehensive income/(expense), net of tax:		
Item that may be subsequently reclassified to profit or loss		
Currency translation differences	**9,706**	(6,734)
Total comprehensive expense for the year	**(350,734)**	(606,164)
Attributable to:		
– Equity holders of the Company	**(350,757)**	(606,108)
– Non-controlling interests	**23**	(56)
Total comprehensive expense for the year	**(350,734)**	(606,164)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**130,882**	140,223
Investment properties		**46,788**	55,800
Right-of-use assets		**63,631**	65,661
Prepayments, deposits and other receivables	*10*	**33,754**	56,817
		275,055	318,501
Current assets			
Inventories		**623,877**	336,572
Trade and other receivables	*10*	**351,089**	442,155
Other current assets		**459**	459
Income tax recoverable		**14,484**	13,856
Bank balances and cash		**98,149**	104,481
		1,088,058	897,523
Current liabilities			
Trade and other payables	*11*	**398,137**	128,679
Income tax liabilities		**6,642**	4,961
Lease liabilities		**47,407**	31,050
Bank and other borrowings	*12*	**288,661**	157,370
Loans from shareholders	*13*	**13,000**	–
		753,847	322,060
Net current assets		**334,211**	575,463
Total assets less current liabilities		**609,266**	893,964

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Capital and reserves attributable to equity holders of the Company			
Share capital		**72,324**	72,324
Reserves		**258,493**	609,250
		330,817	681,574
Non-controlling interests		**(631)**	(654)
Total equity		**330,186**	680,920
Non-current liabilities			
Other payables	*11*	**6,766**	4,666
Lease liabilities		**4,845**	47,178
Bank and other borrowings	*12*	**2,269**	–
Loans from shareholders	*13*	**265,200**	161,200
		279,080	213,044
Total equity and non-current liabilities		**609,266**	893,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and basis of preparation

Alco Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in designing, manufacturing and selling of consumer electronic products including AV products and notebook products.

The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"), which is the Company's functional and the Group's presentation currency.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated.

Basis of preparation

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred loss for the year of HK$360,440,000 and reported a net cash used in operation of HK$234,834,000 for the year ended 31 March 2021.

The directors of the Company consider that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions:

(i) Continuous financial support from shareholders

Mr. LEUNG Wai Sing, Wilson ("Mr. Leung"), one of the major shareholders of the Group, Chairman and Chief Executive Director, Mr. Leung has agreed to provide financial support to the Group when in need. On 25 June 2021, the Group entered into a deed of funding undertakings with Mr. Leung to provide additional funding to the Group. The funding request notice could be issued at the discretion of the Company to Mr. Leung within eighteen months from the date of the deed, i.e. 25 December 2022. The total amount of funding undertakings shall not exceed HK$300,000,000.

The funding when provided shall be treated as an advance to the Company and be repayable by the Company at a suitable time to be agreed between the Company and Mr. Leung, but in any event shall only be repaid after at least twelve months from the funding draw down date.

The undertakings shall cease to have effect after eighteen months from the date of the deed or upon the Company or any member of the Group having obtained additional long-term external bank borrowings or other sources of long-term financing with an aggregated principal amount of not less than HK$300,000,000, whichever is earlier.

(ii) Cash inflow from operations

The Group is taking measures to tighten cost controls over various costs and expenses and is adopting a more flexible procurement policy to control the purchase costs with the aim to attain gross profit and positive operating cash flow.

The Group will also continue to take active measures to improve profitability and cash flow through various initiatives including further leveraging on capital investments made in the automation of manufacturing process to reduce production costs, improve efficiency and further strengthening its relationships with major suppliers to negotiate for lower cost of critical components and for better trading terms, and negotiate with its landlord for more favourable lease terms.

Based on the sales orders on hand for the notebook products up to June 2021, the directors of the Company have seen significant increase in sales comparing to the corresponding period in the year ended 31 March 2021. The directors will continue with its effort in sales and marketing to promote the Group's notebook products in existing market and explore opportunities in other countries.

The directors of the Company believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 March 2022. However, should the above financing be unavailable, if the Group is not able to generate the expected cash inflows from its operations and to refinance its borrowings, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

2. Application of new and amendments to HKFRS(s)

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("HKFRSs") and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the amendments to HKFRS 16 COVID-19-related rent concessions and amendments to HKFRS 16 COVID-19-related rent concessions beyond 30 June 2021.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (early adopted)

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The amendment extends the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure.

As a result of adoption of the above amendments, the COVID-19-related rent concessions recognised in the profit or loss amounted to approximately HK$2,399,000 during the year ended 31 March 2021. There is no impact on the opening balance of equity at 1 April 2020.

3. Segment information

(a) Segment analysed by products

The Group mainly operates in Mainland China, Taiwan and Hong Kong and is principally engaged in designing, manufacturing and selling of consumer electronic product including AV products and notebooks 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.

	2021				2020			
	AV products *HK$'000*	**Notebook products** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*	AV products *HK$'000*	Notebook products *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue								
External sales	**646,973**	**631,713**	**–**	**1,278,686**	786,251	174,995	–	961,246
Inter-segment sales	**12,446**	**1,089**	**(13,535)**	**–**	6,919	30,916	(37,835)	–
	659,419	**632,802**	**(13,535)**	**1,278,686**	793,170	205,911	(37,835)	961,246
Segment results	**(127,732)**	**(208,376)**	**–**	**(336,108)**	(205,064)	(237,762)	–	(442,826)
Provision for impairment of right-of-use assets				**(914)**				(30,342)
Provision for impairment of property, plant and equipment				**(14,896)**				(95,758)
Finance income				**2,750**				1,109
Finance costs				**(11,471)**				(26,169)
Loss before income tax				**(360,639)**				(593,986)

(b) Segment analysed by geographical area

The segment revenue for the years ended 31 March 2021 and 2020 are as follows:

	2021	2020
	HK$'000	*HK$'000*
North America	**619,745**	786,250
Asia	**500,630**	142,989
Europe	**124,223**	27,513
Others	**34,088**	4,494
	1,278,686	961,246

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

4. Other income, gain and loss

	2021	2020
	HK$'000	*HK$'000*
Rental income from investment properties	**2,017**	2,436
Sub-lease income	**13,022**	11,192
Fair value gain/(loss) on investment properties	**23,386**	(18,209)
Rent concession	**2,399**	3,554
Sub-contracting income	**3,880**	2,095
Refund of royalties fee	**–**	914
Loss on early termination of lease	**–**	(53)
Promotion allowance from suppliers	**–**	516
Others	**1,254**	295
	45,958	2,740

5. Expenses by nature

Expenses included in cost of goods sold, selling expenses, administrative expenses, research and development expenses and other operating expenses are analysed as follows:

	2021	2020
	HK$'000	*HK$'000*
Amortisation of intangible assets	**1,503**	1,785
Auditor's remuneration	**1,380**	2,380
Cost of inventories	**1,237,535**	815,614
Provision for impairment of inventories	**23,053**	23,622
Depreciation of property, plant and equipment	**21,223**	42,731
Depreciation of right-of-use assets	**1,835**	24,876
Employee benefit expenses (including directors' emoluments)	**206,765**	183,098
Severance payment	**1,774**	10,495
Loss on disposal of plant and equipment	**6**	323
Short-term lease expenses	**4,437**	2,232

6. Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate 16.5% on the estimated assessable profit for the year. Corporate income tax on profit from subsidiaries operating in Mainland China have been calculated at 25% in accordance with the relevant Mainland China tax law and regulations. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Groups operates.

	2021	2020
	HK$'000	*HK$'000*
Current income tax (credit)/expense		
– Hong Kong profits tax	**–**	–
– Mainland China corporate income tax	**–**	1,549
– Overseas corporate income tax	**(199)**	–
– Over-provision in prior years	**–**	(4)
Deferred income tax expense	**–**	3,899
Income tax (credit)/expense	**(199)**	5,444

7. 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 number of ordinary shares in issue during the year.

	2021	2020
Loss attributable to equity holders of the Company *(HK$'000)*	**(360,463)**	(599,374)
Number of ordinary shares in issue	**723,244,650**	723,244,650
Basic loss per share *(HK cents)*	**(49.8)**	(82.9)

Diluted

There were no dilutive potential ordinary shares during the years ended 31 March 2021 and 2020. Therefore, the diluted loss per share is the same as basic loss per share.

8. Dividends

No dividend was paid or prepared by the Company during the years ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

9. Impairment of non-financial assets

For impairment assessment, the Group assesses the recoverable amount of the property, plant and equipment, right-of-use assets and intangible assets with reference to the higher of the assets' fair value less costs to disposal and value in use. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. As a result, the Group made an additional provision for impairment of approximately HK$14,896,000, HK$914,000 and HK$6,010,000 (2020: HK$95,780,000, HK$30,342,000, HK$810,000) in respect of property, plant and equipment, right-of-use assets and intangible assets respectively for the year ended 31 March 2021.

10. Trade receivables, prepayments, deposits and other receivables

At 31 March 2021 and 2020, the ageing analysis of the trade receivables based on shipping terms is as follows:

	2021	2020
	HK$'000	*HK$'000*
0 – 30 days	**110,807**	40,999
31 – 60 days	**96,276**	124,568
61 – 90 days	**36,485**	94,733
Over 90 days	**57,675**	126,752
	301,243	387,052

11. Trade and other payables

At 31 March 2021 and 2020, the ageing analysis of the trade payables based on invoice date is as follows:

	2021	2020
	HK$'000	*HK$'000*
0 – 30 days	**57,884**	23,897
31 – 60 days	**1,401**	5,225
61 – 90 days	**–**	4,571
Over 90 days	**232,095**	5,944
	291,380	39,637

12. Bank and other borrowings

As at 31 March 2021, bank and other borrowings were interest-bearing at fixed rates from 5.2% to 10% per annum or a margin over HIBOR, Lender's Costs of Funds or loan prime rate (2020: a margin over HIBOR or Lender's Costs of Funds).

13. Loans from shareholders

As at 31 March 2021, the loans from shareholders were interest-bearing at a fixed rate of 4.5% per annum or 1.3% over 1-month HIBOR or LIBOR per annum. Balances of HK$265,200,000 would be repayable on 31 December 2021. During the year ended 31 March 2021, the shareholders have agreed to extend the repayment date to 31 December 2022. The remaining balance of HK$13,000,000 is repayable on 2 August 2021.

14. Comparative amounts

To provide a better picture of the financial performance of the Group, certain comparative amounts have been reclassified to conform with the current year's presentation.

DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 3 September 2021 to Wednesday, 8 September 2021, 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 Thursday, 2 September 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Group results and dividends

For the year under review, the Group recorded a 33% increase in turnover from HK$961 million (in 2020) to HK$1,279 million and a 40% reduction in net loss attributable to shareholders from HK$599 million (in 2020) to HK$360 million.

The increase in revenue was mainly due to very high demand for the Group's notebook computers during the year under review; in particular, the quantity of notebook computers, with most of them being AVITA brand, sold through by the Group for the year ended 31 March 2021 was close to a quarter million units, clearly affirming the high popularity and consumers acceptance of AVITA notebook computers.

Due to well publicized worldwide shortages of various electronic parts and components, however the Group was forced to abandon certain orders from dealers and distributors for notebook computers and tablets; in some cases, the Group even had to substitute more expensive versions for cheaper versions that could not be produced due to lack of parts. All these affected the Group's revenue and profitability since notebook computers and tablets are now the main source of income for the Group.

One of the main reasons for the reduction of the Group's net loss attributable to shareholders is the much higher quantity of notebook computers produced during the period under review, which not only allowed for fixed costs, such as those for manufacturing facilities, costs for advertising and branding, and costs for products engineering and development, to be shared by a much higher number of units, but most significantly also allowed for more favorable costs for materials to be negotiated. Furthermore, the Group's administrative expenses decreased by around 22% to HK$114 million, mainly due to costs saving measures such as the streamlining of operations, the decrease of outside professional expenses, and the lowering of travel and exhibition costs (many meetings with customers were conducted online and many exhibitions were postponed or cancelled outright). The wage subsidies under the Hong Kong Government's "Anti-epidemic Fund" measures also helped to mitigate somewhat the Group's administrative expenses.

Another factor for the decrease in net loss was the revaluation gain of HK$26 million from the sales of the Group's land holdings in Kam Tin, the New Territories.

The directors do not recommend the payment of a final dividend (2020: Nil) for the financial year ended 31 March 2021.

Review of Operations

During the year under review, COVID-19 brought unprecedented challenges to many people as well as many businesses and industries all over the world. In particular, when many consumers worldwide almost at the same time shifted en masse to working or studying from home due to lock-down, global demand for notebook computers and tablets skyrocketed virtually overnight; suddenly, notebook computers and tablets became essential devices and consumers all over the world suddenly required one device per person instead of one device shared among family members. Most importantly, due to consumers' demand for notebook computers and tablets rising multiple folds within a matter of weeks, the supply chains for these devices' critical components, as well as in some cases even supply chains for normally non-critical and very low-value components, became virtually broken and unable to cope. Such tsunamic surge in demand for notebook computers and tablets unavoidably resulted in unprecedented shortages and thus dramatic and multiple folds increase of the costs for these devices' parts and components. In order to secure and cope with the supply shortages of critical electronic parts (as well as normally non-critical and low-value parts), the Group had to pay large deposits up-front as well as highly inflated market prices, which deeply impacted the Group's profitability. However, whenever there are challenges there are always opportunities and the high demand for notebook computers and tablets helped made the Group's notebook computers and tablets achieving double-digit growths in various countries and markets in the Asia Pacific region. In fact, the quantity of notebook computers, with most of them being AVITA brand, sold through by the Group for the year ended 31 March 2021 was close to a quarter million units, clearly affirming the high popularity and consumers acceptance of AVITA notebook computers. In certain markets such as India, the quantity of AVITA notebook computers sold during the year under review grew more than 10 times compared to last year.

With shortages of critical electronic parts and components being one of the most prominent challenges faced by many manufacturers all over the world, even for many famous and powerful automobile makers, the Group's supply chain resources in Hong Kong, Shenzhen, and Taiwan have been further strengthened. Most importantly, since the head offices and decision making for many major semiconductor companies and TFT LCD companies are located in Taiwan, the Group's subsidiary company there, Taiwan Nexstgo Limited, has been absolutely indispensable and instrumental in obtaining allocations of critical parts and components during such worldwide shortages.

As regard to the Group's manufacturing facilities located in Dongguan, China, apart from and in addition to continuous upgrade in robotization and automation to minimize the need for additional direct labor even though the Group's notebook computers production has been increasing by multiple folds year on year, further investments have been made to allow the Group to produce in-house processes that have been carried out by vendors. New facilities such as water-based paint shop, UV printers, and keyboard printing & assembly equipment (to name just a few) have been added during the period under review to allow the Group to more flexibly and quickly accommodate various colors, patterns, and keyboard specification requirements from different markets.

Prospects

With more and more people around the world getting inoculated against the COVID-19 virus, it is of course the wish of many that the world's economies will gradually get back on their feet; however, it is for sure won't be an exaggeration to say that the financial year 2021/2022 will still be full of challenges for the Group. On the bright side, however, it is exactly for circumstance such as the pandemic that the Group a few years ago decided to implement and execute the strategy of developing, producing, selling, and marketing products, and in particular notebook computers and tablets, under the Group's own brands. Having implemented such own-brand strategy, the Group can decide and control directly to develop products and enter markets that have the potential to generate the highest possible business success; instead of replying solely on OEM/ODM customers' or retailers' orders, which can very often be affected by geopolitical competition or outright trade wars, the Group now has the leverage to plan ahead to avoid markets where non-commercial factors could significantly affect business prospects. For example, by deciding to develop notebook computers and tablets more specifically catered to markets in Asia, the Group's revenue from North America has now dropped below 50% for the first time in years.

According to many industry forecasts, strong demand for notebook computers and tablets should continue and persist well into the end of 2021 and even into 2022; one of the reasons being the situation that many companies will still need to continue to support and allow their employees to work from home, even if not for the entire work week but at least for a couple of days or even more per week. As a consequence, the trend of notebook computers and tablets being a necessity rather than a luxury in many homes around the world will continue. In order to benefit from this, the Group will continue to invest in resources to develop and promote more variety of notebook computers and tablets to capture new price points, new markets, and most importantly new consumers. In the year under review and as a result of the growing trend for study-from-home and distant/virtual learning, the Group has also received ample enquiry regarding, and therefore has been developing, LTE enabled tablets for markets and countries where WiFi is not commonly available in private homes.

As mentioned above, the Group has been investing continuously in robotization and automation in order to minimize the need for additional direct labor for coping with geometric increase in notebook computers production year on year; based on the growth path of AVITA notebook computers as well as recent enquiries for private-label notebook computers, the Group is cautiously optimistic that the quantity of notebook computers and tablets to be manufactured could soon reach 7 digits per year. Also as mentioned above, new facilities have been added in the Group's manufacturing facilities to allow for more flexibly and speed in accommodating various changes in specifications and requirements for AVITA notebook computers from different markets; going forward, the Group will continue to strategically look into investing in resources and facilities that will allow for production of unique features on AVITA notebook computers. Additionally, the Group will also develop various accessories complement to AVITA notebook computers and tablets, in direct response to such requests by distributors and retail channels (in various markets) who have been convinced of AVITA brand's commercial potential other than only on notebook computers and tablets.

In addition to being in the manufacturing field for over half a century, next year will be the Group's 30th anniversary for being a publicly listed company; basing on the own-brand strategy and with the foundation already set by the success and experience of AVITA notebook computers, the Group will further invest and follow the path of developing high-value-add products such as notebook computers, tablets, and possibly even never-invented-before computing devices or features. Last but not least, the Group will pay close attention to such technology trends such as the IoT products, 5G enabled devices, edge computing, and even electric mobility, with the aim of making strategic investments in any of those that will allow the next decades of growth.

Liquidity and financial resources

The Group's total equity and total equity per share as at 31 March 2021 were HK$330 million (2020: HK$681 million) and HK$0.46 (2020: HK$0.94) respectively.

As at 31 March 2021, we had bank balances and cash of HK$98 million (2020: HK$104 million). After deducting bank and other borrowings of HK$291 million (2020: HK$157 million), loans from shareholders of HK$278 million (2020: HK$161 million) and lease liability of HK$52 million (2020: HK$78 million), we had net borrowing of HK$523 million (2020: HK$292 million).

As at 31 March 2021, our inventory was HK$624 million (2020: HK$337 million), which consisted of HK$353 million (2020: HK$163 million) of raw material, HK$26 million (2020: HK$9 million) of work-in-progress and HK$245 million (2020: HK$165 million) of finished goods. We take a cautious approach to monitor the inventory level especially during this environment with uncertainty.

Trade receivables as at 31 March 2021 were HK$301 million (2020: HK$387 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 2021 were HK$291 million (2020: HK$40 million).

Capital expenditure on fixed assets during the year was HK$23 million (2020: HK$39 million). As at 31 March 2021, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery and renovation amounting to HK$3 million (2020: HK$3 million).

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 were no speculative activities during the reporting financial year.

Employees

As at 31 March 2021, the Group had approximately 950 (2020: 960) employees in Mainland China, 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, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

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 2021, except with deviation from code provision A.2.1; rules 3.10(1), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the Corporate Governance Code of the Listing Rules.

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On 15 June 2018, Mr. LEUNG Wai Sing, Wilson succeeded the chairman of the Board and since then he has the combined role of Chairman of the Board and Chief Executive Officer of the Company. The Board believes that this arrangement is beneficial to the Company as Mr. Leung has considerable industry experience.

Following the resignation of Mr. CHEUNG Ka Wing on 14 December 2020, the number of independent non-Executive directors of the Company did not meet the requirement under rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). In addition, the composition of the audit committee, the remuneration committee, and the nomination committee of the Company no longer satisfies the requirements under rules 3.21, 3.25 and code provision A.5.1 of the Corporate Governance Code of the Listing Rules, respectively. On 12 March 2021, with the appointment of Mr. WU Zhi-ling, as the Independent non-Executive Director, and the Audit Committee, the Remuneration and the Nomination Committee of the Company has once again complied with the requirements of relevant Listing Rules above, details of Mr. WU's biography has been disclosed in the Company's announcement dated 12 March 2021.

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 year ended 31 March 2021.

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 2021.

The Audit Committee currently comprises three independent non-executive directors of the Company, namely Mr. CHEUNG, Johnson, Mr. LEE Tak Chi, Mr. WU Zhi-Ling.

SCOPE OF WORK OF THE AUDITORS OF THE COMPANY

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement, have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), to the amounts set out in the draft consolidated financial statements of the Group for the year. The work performed by SHINEWING 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 SHINEWING on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by SHINEWING, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 March 2021.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1 to the consolidated financial statements, which states that, the Group incurred a net loss of HK$360,440,000 and an operating cash outflow of HK$234,834,000 for the year ended 31 March 2021. As at 31 March 2021, the Group had total bank and other borrowings of HK$290,930,000 while its bank balances and cash was HK$98,149,000. These events or conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 of Alco Holdings Limited at www.alco.com.hk. 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 Kam Fai, Peter and Mr. YIU Wang Tsun and three independent non-executive directors, namely Mr. LEE Tak Chi, Mr. CHEUNG, Johnson and Mr. WU Zhi-Ling.

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

Hong Kong, 29 June 2021