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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 328)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ISSUE AND ALLOTMENT OF NEW SHARES FOR SUBSCRIPTION UNDER GENERAL MANDATE

Reference is made to the announcements of Alco Holdings Limited (the “**Company**”) dated 20 August 2021 and 7 September 2021 (the “**Announcements**”) in relation to the Subscription. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

This announcement is to provide supplemental information in relation to the Subscription.

THE SUBSCRIPTION AGREEMENT

Subscription Price

The Directors noted that the Subscription Price of HK\$0.2434 represented a discount of approximately 52.91% to the net asset value per Share of HK\$0.46 as at 31 March 2021 (as disclosed in the Company’s 2021 annual report). In fact, the Shares are traded at a discount to the net asset value per Share over the last 12 months prior and up to the signing of the Subscription Agreement, the average closing price of the Share over the period commencing from 12 months prior and up to the signing of the Subscription Agreement is approximately HK\$0.236. On the trading day preceding the annual general meeting held on 27 August 2020 (i.e. 26 August 2020) when the General Mandate was passed by the Shareholders, the closing price of the Share was HK\$0.200. The Directors are of the view that the average closing price of Share (as opposed to the net asset value per Share) represents realistic value for prospective investors in order to raise capital for the Company within a reasonable timeframe and the net asset value per Share may not be a meaningful reference to determine the Subscription Price.

General mandate to issue Subscription Shares

The Subscription Shares will be issued and allotted under 2021 General Mandate, instead of the General Mandate passed by the Shareholders in the annual general meeting held on 27 August 2020. The Directors were authorised to allot, issue or otherwise deal with up to 144,648,930 new Shares under the 2021 General Mandate. As at the date of this announcement, apart from the Subscription Shares, no new Shares have been issued or agreed to be issued under the 2021 General Mandate. After completion of the Subscription, 74,648,930 Shares may be allotted and issued pursuant to the 2021 General Mandate.

INFORMATION OF THE SUBSCRIBER

By way of background, the Chairman of the Company (the “**Chairman**”) became acquainted with the ultimate beneficial owner of the Subscriber, namely Mr. Poon Ka Ho Stanley (“**Mr. Poon**”) back in April 2021 through the referral by an investment banker. The Chairman commenced the discussion on the Subscription with Mr. Poon and the terms of the Subscription were finalised few days prior to the date of the Subscription Agreement. Both the Company and the Subscriber were legally represented in the negotiation and finalisation of the Subscription Agreement.

As disclosed in the Announcement, to the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, both the Subscriber and its ultimate beneficial owner are Independent Third Parties. In reaching the above conclusion, the Directors had, amongst others, taken the following actions:–

- (a) conducting company searches with the Companies Registry of Hong Kong against the Subscriber, which is a company incorporated in Hong Kong;
- (b) checking the register of members of the Company against the names of the Subscriber and Mr. Poon;
- (c) obtaining email confirmation from the Subscriber as to whether it is an Independent Third Party;
- (d) obtaining warranty from the Subscriber that it is not directly or indirectly funded or backed by any connected persons of the Company and is not accustomed to take instructions from a connected person of the Company in relation to the acquisition, disposal, voting or any other disposition of securities in the Company; and
- (e) checking the report of ultimate beneficial owner of the Shares produced by a professional service provider which was engaged as part of the Company’s corporate governance against the names of the Subscriber and Mr. Poon.

The Company has enquired with the Subscriber on its financial resources and the Subscriber has represented to the Company that the funding for the Subscription Price is readily available and could proceed to Completion once the Conditions Precedent are fulfilled. The Company has also recently enquired with the Subscriber and the Subscriber has provided the proof on its financial resources to complete the Subscription.

Pursuant to the terms of the Subscription Agreement, the issue of Subscription Shares and the payment obligations of the Subscriber will take place simultaneously upon Completion (as opposed to any deferred payment for the settlement of the Subscription Price). The time gap between signing of the Subscription Agreement and Completion is relatively short, which shall take place no later than 7 October 2021. To minimize credit risk, the way the Company structured the deal is to ensure physical delivery of share certificate only upon receipt of cash proceeds from the Subscriber.

Apart from the Subscription Agreement, the salient terms of which has been set out in the Announcements, there is no other agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) between (i) Mr. Poon and his associates and (ii) the Company and its connected persons.

REASONS FOR THE SUBSCRIPTION

In reaching the conclusion that the Subscription Agreement is fair and reasonable and that the Subscription is in the interest of the Company and the Shareholders as a whole, the Board had taken into account the following factors:–

- (a) the Subscription Price represented (i) the average closing prices of the Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Subscription Agreement; and (ii) a premium to the closing price of the Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (b) the Company did not give any discount to the Subscriber and that the Subscription Price was arrived after arm's length negotiation with reference to the market condition and the prevailing market price of the Shares; and
- (c) the Subscription is an efficient way of fundraising at the moment to further develop the Group's existing business.

USE OF PROCEEDS FROM THE SUBSCRIPTION

As disclosed in the Announcements, proceeds raised from the Subscription are intended to be used for the further development of the Group's existing notebook computers and tablets production business and general working capital purposes. Proceeds from the Subscription will contribute to the Company's working capital, which has been planned for raw materials purchase through bank financing. After advanced payments on the Company's behalf by the banks to raw materials' suppliers, the Company repays the banks after the period of credit terms.

Save for the repayments as a result of purchasing raw materials, the Company does not have an immediate plan to meet the repayment obligations of other loans and borrowings by utilising the proceeds from the Subscription.

ALTERNATIVE FUNDRAISING METHODS CONSIDERED BY THE BOARD

Apart from the Subscription, the Company has been discussing and exploring with different commercial banks and financial advisors to look for ways to do fundraising to further develop the Group's existing business. To cope with the peak production season, the Company arranged receivable financing facility with a financier since August 2021, which is not a very significant amount relative to the Company's purchase volume. Therefore, additional financing channels are necessary, including equity financing through new shares issuance with cash proceeds amounting to approximately HK\$17 million. Furthermore, receivable financing and equity financing are different in nature. Cash proceeds from receivable financing are just early receipts, in terms of timing. Whereas, cash proceeds from equity financing are incremental capital, which is permanent in nature without the obligation of repayment. As such, the Board decided to conduct the Subscription.

Save as disclosed above, all other information and contents set out in the Announcements remain unchanged.

As completion of the Subscription is subject to the fulfilment of the Conditions Precedent set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

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

Hong Kong, 17 September 2021

As at the date of this announcement, the executive directors of the Company are Mr. LEUNG Wai Sing, Wilson, Mr. LEUNG Kam Fai, Peter and Mr. YIU Wang Tsun. The independent non-executive directors are Mr. LEE Tak Chi, Mr. CHEUNG, Johnson and Mr. WU Zhi-Ling.